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The Nordic Regionalism From the ‘Below’:

The old and the new division of regionalism and the reason behind the weak Nordic cooperation on security and economy

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Abstract

Regionalism, that has been always with us in different forms throughout the history and emerged as an alternative theory after the end of Cold War, enables us to explain new world order. Since the end of WWII, there are two types of regionalism explaining the dynamics of regional formations. The one that came into question from the end of WWII till end of Cold War is names as ‘old’ regionalism and the one occurred after the end of Cold War is ‘new’ regionalism. There are distinctions between these two and all these differences will be studied throughout the thesis. However the most important distinction that will be one of the main theoretical frameworks of this thesis is the distinction between top-down (from ‘above’) and bottom-up (from ‘below’). According to old regionalists, the regional arrangements were created by the will and the allowance of two super powers (USA and Soviet Union) - top-down or from ‘above’ - during Cold War era. However, after the end of Cold War and due to end of bipolar structure of international system, they started to be established by the will of its member states- bottom-up or from ‘above’-. This is one of the main distinctions between the old and the new regionalism. By employing these ideas, this thesis, first of all, aims to demonstrate the Nordic Council, as a bottom-up regional formation that was created totally by the will of its members during the Cold War era. This creates contradiction what old-regionalists argue and makes Nordic Council as an interesting field to be examined. In addition to that main part of my research motivation is to understand why Nordic Council, created purely by the will of its members, could not develop stronger cooperation on security and economy. From my observation throughout my research process, in order to get the right answer of my research question, historical background and historical context constitutes a great importance for both theoretical and empirical part.

Key Words: old and new regionalism, from ‘below’, from ‘above’, top-down, bottom-up, regional dimensions, level of regionalism, Nordic balance, Europeanization

Word Count: 19 888

List of Abbreviation and Acronyms

CM- Common Market

CU- Custom Union

EC- European Community

EEC- European Economic Community

EFTA- European Free Trade Association

ESDP- European Security and Development Policy

EU- European Union

FDI- Foreign Direct Investment

FTA- Free Trade Area

GATT- General Agreements on Trade and Tariffs

NORDEFECO- Nordic Defence Cooperation

NR- New Regionalization

PTA- Preferred Trade Agreements

SEATO- Southeast Asia Treaty Organization

UN- United Nation

USA- United States of America

WTO- World Trade Organization

WWI- First World War

WWII- Second World War

1 INTRODUCTION

Even though, there are fuzzy explanations for the terms of region, regionalism and regionalization; regional organizations have been increasing rapidly especially after the end of Cold War. This paves the way for focus on regionalism in terms of bringing alternative explanation to the new structure of world order. However there are certain distinctions between the ‘old’ (dominating from WWII till end of the Cold War) and the ‘new’ regionalism (occurred after the end of the Cold War). When the motivation behind the establishment of regional arrangements during the Cold War examine, the will and the permission of two super powers (USA and Soviet Union) was inevitably necessary. For this reason, formations of regional arrangements during the Cold War were called as ‘top-down’ or from ‘above’. However after the end of Cold War- due to the elimination of bipolar international system- the will of member states in the establishment of regional formations has been playing major role. Therefore regionalism after end of old War is called as ‘bottom-up’ or from ‘below’. However when the Nordic Council that was established during the Cold War era, is studied , it is obviously from ‘below’ and neither USA nor Soviet Union played active role in the formation process of it. Therefore Nordic Council generates distinctive example contradicting with what old regionalists argue. Therefore the purpose of this thesis is, first of all, to prove that Nordic Council contradicts to the distinction between the old and the new regionalism. In order to do that first of all, theoretical framework starting from broader explanation of regionalism with historical, dimensional and level of analysis will be made. Then, the differences between the old and the new regionalism with all other features will be mentioned. In order to provide better understanding of old regionalists arguments, a small example –SEATO- will be analyzed at the end of the theoretical part. The dynamism behind the creation of SEATO will also help us to understand how the dynamism behind the formation of Nordic Council differs from the other.

With the light of this information , other motivation behind my research is to understand why Nordic regionalism in economic and security dimensions are not stronger even though Nordic Council was created not by the will of two super powers but by the will of its members even in the Cold War era.

In order to reach the conclusion, after composing theoretical framework in the first part, the case study analysis will start with brief historical background of the Nordic region and the

relation between the member states, starting from 900 A.D till end of Cold War. This section will be useful to create better understanding in the analysis of security and economic cooperation of the Nordic members. Afterwards, Nordic cooperation over security and economy from the historical background will be served to understand the contextual framework. According to the literature review I did during my research process, the relation of Nordic Council members with the third parties like EU and NATO will be crucial for us to comprehend the reason why Nordic Council cooperation on economy and security remain weak or could not developed stronger. Therefore, the role and the importance of EU and NATO for Nordic countries in security and economic fields will be displayed. In security part, the role of ESDP (European Security Defence Policy) and NATO for Nordic region will be in focus. In economy part, relation with EFTA, EEC and the other European countries importance and their share in FDI outflows and inflows and intra-extra trade relations of Nordic countries will be analyzed to understand. These will also help us Nordic Council could not develop more unified and stronger economic cooperation among the members.

For this reason, three elements will be very crucial for us to create broader understanding of why Nordic cooperation on security and economy are not stronger. First one is the historical context in which Nordic region and the relations of Nordic countries have been passed through. Second one is again the historical context in which Nordic members relation with third parties developed. Finally the importance of third parties for Nordic members in terms of security and economic relations will be helpful for the setting out the research puzzle for this thesis.

1.1 Objective and Research Question:

As Hettne and other writers discuss about old regionalism dominating Cold War era, regional arrangements were formed top-down (from above)- with the will of either USA or Soviet union- after the end of Cold War, regional arrangements were generally established with the will of member states of that region -means bottom-up (from below). Although Nordic Council established in the era of Cold War, it was not established by the will of neither USA nor Soviet Union. Formation of Nordic Council was purely by the will of member states which means it was bottom-up process contradicting with what Hettne and others claim. This means Nordic Council violates old regionalists' rule that makes interesting subject to be studied. More interesting part is that although Nordic Council was established with the will of member states even during the Cold War era, member states cooperation on

economy and security remained weak. Therefore my motivation behind writing this thesis is first of all to show how Nordic Council breaks the rule of top-down bottom up rule of old and new regionalism and secondly is to find out why Nordic council could not develop stronger economic and security cooperation between the member states although it created bottom-up –by the will of its members- even in Cold War era.

2. THEORETICAL FRAMEWORK

2.1 Conceptualization of Region, Regionalism and Regionalization

The accelerating interest in regionalism over the last decades and rising attention of many scholars in regionalism especially after the mid 1980s has brought new or alternative explanations to new world order after the end of Cold War. Although globalization has been the main theory serving for explanation of new world order, regionalism has been growing silently. Regional arrangements increase its number and by 2006, Mongolia out of 150 members of WTO was the only country that was not a member of any trade agreements. From 1948 to 1994, GATT received 124 notifications for regional arrangements, 65 of which were still in force when WTO took the place of GATT and from 1995 to 2007; WTO received 227 more notification of regional organizations. In this way, total numbers of regional arrangements reach up to almost 400 (Ravenhill: 2008:54).

Although there is an augmentation of interest in the field, there is a lack of consensus on what the terms of region, regionalism and regionalization mean. Since the term of regionalism is a new phenomenon, there is little agreement on the significance and the practice of regionalism in International Relations (IR) theory. In order to understand what the regionalism as a theory bringing alternative explanations in IR, first of all there is a necessity to understand what the region is. The concept of *region* is used interchangeably according to different disciplines. According to geography, regions refer to the group of countries that have territorial proximity and generally have shared culture, history, language, identity and so on. Although there are different regional subsystems with a distinct level of regionness, Schultz and Fredrick (2001:15) have brought minimum definition for region as *'a limited number of states linked together by a geographical relationship and by a degree of mutual interdependence'* However, one thing is certain that the term 'region' needs and more than geographical explanation. In IR, regions are seen as supranational subsystem of international system in which states creating the regions have incorporate commonality, interaction and the possibility of cooperation. Due to more comprehensive view represented by US scholar, Joseph Nye, regions refer to group of states that have geographical proximity, commonality and mutual interdependence.

Typologies of regions are abounded; regions can be sub-national entities (sub-state) that might have become nation-states by seceding from the mother land; or supra-state/intergovernmental (led by governments); or trans-state units/ transnational (network-

based, led by cross border groups) or ‘comprehensive’ (led by both governments and interest groups); or macro regions / world regions (Warleigh-Lack: 2008: 50). Yet, ‘supranational’, ‘transnational’ or ‘international’ regions will be the subject of this study. World regions are distinct political actors evolving through historical process and they differ according to their capacity. Regions can be differentiated in terms of social cohesiveness such as culture, history, language, ethnicity, race, religion, economy.

Other vague term is *regionalism* that is the heart the theory part of this paper. Regionalism refers to a policy and strategy over which state and non-state actors of a region cooperate and coordinate. For this reason regionalism is norms, rules and procedure that actors of a region follow to pursue and promote common goals. Regionalism is thus perceived as a policy and project that is being constructed and reconstructed by human action (Hettne: 2005: 545). Another fuzzy term that is sometimes confused and used interchangeably with regionalism is *regionalization*. Whereas there is a distinction between these two terms. If regionalism refers to a policy and project, regionalization refers to both project and process (Fawcett: 2004: 433). Regionalization relates to the complex process of forming regions that might stem from either planned or spontaneous forces (Hettne: 2005:545). Regionalization paves the way for forming and shaping the region that determines the emergence of regional groups, actors and organizations.

In short, regions, regionalism and regionalization are what the states and non-state actors make of them. In order to bring conceptual framework of these three terms, theoretical flexibility and definitional freedom are required. For this reason, there is no ideal region, regionalism or regionalization. Regions similar to states vary according to size, compositions, capabilities and aspirations. Therefore each region is distinct and each region and regionalism requires different approach and study to understand it (Fawcett: 2004:434).

2.2 Level of Regionness

In order to serve a framework for comparative analysis between regions, Hettne and Inotai (1994:7) mention about five levels of regionness and regional complexity. Level of regionness is helpful to define what the new regionalism in this paper. In addition to that higher level of regionness imply the degree of interdependence, coherence, communication, cultural homogeneity, capacity to act and resolve the conflicts within the region.

First level is geographical regionness whose borders are determined by natural physical barriers such as Europe from the Atlantic to the Ural. Second one is region as social system in which condition of countries depends on each other's social, political, cultural and economic nature. In social terms, region is organized by human inhabitants who were isolated communities at first, yet, some degree of interaction and in so doing interdependence starts over time. It might represent negative or positive relations but in either way it constitutes a regional complexity (Hettne: 2005:548).

The third level refers to region as organized cooperation in any fields like culture, security, political or economical. Here the crucial point is that creation of region should be more than temporary coalition among group of countries that follows purely their national interest. Through the establishment of organized cooperation, 'formal regions' defined by organizational membership are created to assess a framework for cooperation. Through this way, norms and rules in the international society increase the predictability of the system and organizational framework facilitates social communication (ibid: 549).

The fourth level is a region as regional civil society that takes shape when organizational framework of region promotes convergence of values and social communication throughout the region (Hettne & Inotai: 1994:7). In this stage, pre-existing cultural heritage and bonds among the members are crucial. Multidimensionality of regional cooperation makes this level distinct from other levels.

The final one refers to the region that has distinct identity, legitimacy and decision-making structure. The structure and the nature of the region is complex and have a tendency to more complex structure such as transformation of EC into EU (ibid: 7-8). The process and the level of regionalization indicates a change from relative heterogeneity to rising homogeneity within the region and between the states in different fields of culture, security, economy, political regime, development. Moreover the complexity of the level of regionness become more complex and it turns into 'region state' and supranational community to which certain functions of members are transferred to regional entity.

2.3 Dimension of Regionalism

The process and success of regionalization and regional integration are determined by the change from relative heterogeneity to increase homogeneity within the region regarding different dimensions; the most important of them are culture, security, economy, development

and political regime (Hettne & Inotai:1994: 8). Here in this study, security and economy will be in our focus.

Many of researchers, dealing with regionalism, generally focus on economic dimension of regionalism. The homogenization of economic policies may further the regionalization process and integration. Regional integration has been under the attention of the economists and there is a well developed theory to explain trade and monetary integration. Trade integration is divided into three different model; Free Trade Areas (FTAs), Custom Unions (CUs) and Common Markets (CMs). FTAs are the simplest model among the all in which states agree to remove their trade barriers without compromising from their sovereignty. CUs are the one step further of the FTAs. States are not only establishing internal free trade but also applying common external tariffs for third parties. In this integration, states are willing to sacrifice from their autonomy and sovereignty for common trade policies. Last stage, CMs, takes the regional integration one step further trade integration is deeply practiced. Here, free movement of factor of production, capital and people are allowed by eliminating regulatory trade barriers (Farrell: 2005:22). The last stage refers to the combination of economic and political integration in which supranational authority controls economic and political decisions in name of regions as a whole (Schultz: 2001:10).

These three models of trade are called Preferred Trade Agreements (PTAs) and they are functioning to liberalize trade among the members and guarantee them to have preferential access. Mansfield and Solingen (2010: 148) call the CU as ‘trade-creating’ and ‘trade-diverting’ PTAs. Trade liberalization among the members sometimes paves the way for trade-creating unions that enhance the welfare of the members. Trade liberalization shifts import from less efficient producers outside the region to more efficient producer within it. However sometimes, trade liberalization cause welfare losses for some members since some sectors enjoy the protection more than liberalization and this lead to trade-diversion. Therefore, establishing a PTA might be useful for export-oriented countries (Mansfield & Solingen: 2010: 148-150 and Gavin & Lombaerde: 2005:70-71).

Trade creating PTAs gather the fruits of trade integration through economy of scales¹ due to larger market access by producers. With the enjoyment of access to bigger market, trade integration increases the competition and the incentives for investment. With competition and

¹ The increase in efficiency of production as the number of goods being produced increases. Typically, a company that achieves economies of scale lowers the average cost per unit through increased production since fixed costs are shared over an increased number of goods. There are two types of economies of scale: External economies , the cost per unit depends on the size of the industry, not the firm and Internal economies , the cost per unit depends on size of the individual firm

investment, big companies and firms in small countries are stopped being protected by national tariffs. Thus, they will lose their hegemony and monopoly over the sector. With the elimination of the barriers, Foreign Direct Investment (FDI) will flow between the countries and will bring the know-how and technologies to the inferior ones (Farrell: 2005:32 and Gavin & Lombaerde: 2005:71).

Other dimension of economic integration is monetary integration. This refers to the acceptance of common currency, the common monetary, fiscal policy and authority. Establishment of regional monetary integration is seen as a means to further the deepening of trade integration in a region. However, some scholars approach monetary integration as 'political' rather than 'economic' decision. Therefore, monetary union is seen as an indicator showing that region is moving toward being a political entity than solely economic one (Gavin & Lombaerde: 2005:75-76).

The other dimension that will be focused in our case study is security. Economic and security regionalism can be tightly linked. As Hettne (2005) mentions, the first generation of regional integration was driven with economic forces and then it spread to peace and security concern ultimately. PTAs reduce the military conflict among the member states of a region due to the fear of economic loss. Therefore economic integration paved the way for security integration within a region (Mansfield & Solingen: 2010:152). However, here security regionalism apart from its relation with economy will be in our concern. Member states within a region forms an alliance because of shared interest in economic interdependence, shared political coalitions or common political regimes. In order to achieve security cooperation purpose, member states create collective security regimes, zones of relative peace and cooperative security dialogue. Diversity of forms in security cooperation deepens the regional institutional design and features of regional arrangements (ibid: 153).

According to Hettne's (2001:13) definition 'security regionalism' is : *'an attempt by the states and other actors in a particular geographical area-a region in the making- to transform a security complex with conflict-generating inter-state and intra-state relations and domestic peace'*. In addition Farrel, M, Hetten, B, & Langenhove, L.V (2005) explain the relation between regionalism and conflict with Barry Buzan description of regional security complex as *'a group of states whose primary security concerns link together sufficiently closely that their national security cannot realistically be considered apart from one another'*

Moreover, Regions have more comparative advantage and advanced chance than states in terms of taking effective actions on security, development and human rights. In order to enhance this effectiveness, regions should go beyond economic integration and choose the path for deepening the integration in other fields (Cooper et al, pp. 6). Therefore, security regional arrangements have always been with us throughout the history with different forms and co-operations. Alliance between the empires or, Europe in nineteenth century was examples of those. In more modern sense, post First World War can be taken as turning point. League of Nations was the sample of regional groups that represented the collective security those times. Apart from The League, international agencies and formal institutions were few; non-state organizations were even fewer than those. Although, the League, like UN, lead the actors to think differently and beyond the peace; however the security and equality issues, only after the WWII with UN it could be achieved. UN gave place to the regional agencies in Chapter VIII Art 52 offering them formal role in conflict resolution. In other words, with UN declaration, regional organizations obtained obtaining their legitimacy in international arena (Farrell: 2005:24).

Possibilities of future regionalization along with UN legitimization were blocked by Cold War. Regional collaborations were divided into West and the East. Through the Warsaw Pact and NATO, peace and security issues were surrendered regionally by USSR and UN. Moreover, west Europeans met around economic interests with security and democratic consolidation with European community project (ibid: 26-28).

The empowerment of the regional actors has gained speed after the Collapse of the Soviet Block/ Cold War. The collapse of Soviet bloc brought major changes in international system and instability, disintegration, unipolarity and globalization became the feature of this new system. Peace and security has begun to be understood multi-dimensionally and the term of security moved beyond military conflicts. Non-military security called new threats such as immigration problems, terrorist attacks, refugee problems; growing poverty came to the scene. For this reason, as Stadtmüller (2005:105) gave place to Anthony Giddens thoughts claims that Cold War era was much more certain and stable than what the new international system is today (ibid: 104).

In such a chaotic international system occurred after the end of Cold War, Since universal organization like UN and states as individual entities in international system are unable to prevent conflicts in international system. This raised the question whether regions could be an

intermediate stage between interest of state and global level. It can be assume that regions consists of states where they share some commonalities or mutual interest , as it was mentioned above, such as historical, economic, cultural, and therefore security and peace are reinforced in particular regions of the world . This might lead to decrease in tensions and conflicts among the member states of a region as well as between the regions (ibid: 106-109).

Stadtmüller (2005: 110-114) mentions about various angles of the relation between regionalism and security. Some regional arrangements are effective in different dimension of security; inter-state tensions, intra-state conflicts and building a democratic peace.

Inter-state conflicts are the traditional tension type among the states and it is less common now, than in Cold War period. Regional arrangements might be helpful to prevent inter-state wars. For example, South Asian Association for Regional Cooperation in 2004 discussing the free trade area between Pakistan and India also brought the issue of Kashmir for possible solutions (ibid: 110).

Regional arrangements can also be beneficial for building a ‘democratic peace’. For example Conference on Security and Cooperation in Europe meeting in Paris in 1990 accepted democracy as the only legitimate form of governance and this brought revolutionary change in rule of external sovereignty of states in Westphalian Peace agreement. This agreement signed in Paris gave international community right to provide democratic international order (Stadtmüller: 2005: 113).

Regionalism serves most promising solution to important international problems as long as regional arrangements meet certain conditions; strong regional arrangements, ability to act coherently, a strong will to pay the cost, proper bases for economic power and a strong military capability (ibid: 113).

For this reason, UN stress upon the significance of the collaboration between the UN and other regions. In 1992, the Secretary-General’s report *An Agenda for Peace* has called the greater involvement of regional organizations in several collaborations with UN for different mechanisms such as preventive diplomacy, peace-keeping, peace-making, and post-conflict peace building. Therefore involving the Secretary –General, UN has increased the cooperation with regional entities such as ECOWAS (the Organization for Security and Cooperation in Europe), CIS (Commonwealth of Independent States), OIC (Organization of the Islamic Conference), ASEAN, The AU, LAS (League of Raba States) (Thankur & Langenhove: 32).

Although the significance of regional organization in multilateral system has been proved by the Report of UN Secretary-General's High-Level Panel on Threads, Challenges and Change in 2005, regional actions should be organized and arranged under the UN control and responsibility (ibid: 32).

Level of regionness as described above effects the dimension/purposes of regionalism. The stronger the level of regionness is, the deeper the integration in dimension of regionalization. Level of regionness- how much economic, political, security integration have been achieved- can be understood by exploring three issues. First one is the interest of component states over specific purposes of the region like security, economic integration and so on. Second the rationale/purposes behind the establishment of regional formations by the members and how much these purposes achieved? Third one is the roles and capacities of regional institutions and the way regionalization process works. Fourth one is the exogenous factors such as globalization and how these factors effects regional formation. Finally the way regionalization affects its components and member states (Warleigh-Lack: 2008: 53-54). These factors will be helpful in order to understand the success or the weakness of the level of regionness of the case study: Nordic Council.

2.4 History of Theory of Regionalism: the 'old' and the 'new' distinction

In order to understand what we mentioned above about regionalism, it is important to study the history of regionalism. Since the thesis topic is the evaluation of Nordic council from old and new regionalism perspective to understand why Nordic cooperation on economy and security remain weak, history constitutes great importance in this analysis.

Theorizing regionalism has been in progress throughout the history. As it was mentioned before, regionalism has always been with us in different forms like empires, allies and so on. However, since regionalism and regionalization are distinct phenomenon and activity than other entities in global world; international structure after WWI can be taken as starting point to analyze the theoretical framework of regionalism (Fawcett: 436). Over the past decade, regionalism has become one of the important theories utilized by European studies, international economics, international geography, IR, international political economy (IPE), comparative politics and many other theories. Regionalism expresses different meanings to different theories and it can be explained by many diverse approaches (Hettne & Söderbaum: 61).

The League of Nation system in 1920s provided an arena for considering the prominence of regionalism in International system. Apart from the League, formal institutions were few and non-state organizations were even fewer. The idea that any institution could deliver peace, political or economic cooperation and integration was a novel idea at that time. For this reason regionalism was neglected during 1920s and 1930s and states pursued protectionist policies because of the WWI and 1929 world economic crises (Fawcett: 2004:436).

Due to protectionist policies in 1930s, regionalism becomes a post WWII phenomenon with the establishment of UN. However, the importance of the relation between UN and regional agencies were curtailed by the Cold War. In consequence of bipolar system created by the Cold War, regionalism as a unit of analysis was divided into East and West. Peace and security were delivered through regional institutions through Warsaw Pact, NATO and other related institutions (ibid: 437). In addition to that in 1950s, European Community project become most important pioneer for building economic community, security and democratic consolidation. Yet, regional projects, came alive during the Cold War era, depended on two super powers -US and Soviet Union- supports and generally implemented with the will of them (ibid: 437). Yet, regionalization started to be an important strategy between the years of 1950-1960s in different fields; economy, peace, welfare, development. Trade and economic integration of the countries was taken many economist attentions. Regionalization has lost its significance in late 1960s beginning of 1970 because the regionalization projects had limited impact on international arena (Schultz: 2001:2)

In this way, more than a decade regionalism had been neglected but it surfaced again in the mid-1980s starting with Single European Act and spread all over the world. Regionalization that gained importance in mid-1980s with the end of Cold War, has given named called 'The New Regionalization' (ibid: 3). Fawcett (2004:438) explains after the Cold War era with his words: *'if the Cold War proved to be an arena for selective but cumulative regional growth and projects, the period after its end offered new scope and opportunities'*. Bipolar Cold War structure has been replaced by new regionalization brought new structure in global system. First, bipolar international system has been replaced by multi-polar and multidimensional world system. Second, American hegemony has declined with a positive and supportive tendency toward regionalization all over the world. Third, domination of state-centric view in IR has been replaced by interdependence, transnationalization and supranationality (Schultz: 2001:12). Furthermore, end of Cold War offers new incentives and freedom to international organizations. Despite the rising importance of globalization, regionalism also grew up in

silence after the Cold War. Both the number membership of regional organizations rose up and the interest toward what is called 'New Regionalism' has scaled up. The regionalism of the 1990s developed in decentralized international system free from super powers overlay and they are free to assert their own identities and purposes anymore. The achievements of UN and EU also empowered and took the attention on the capabilities of international institutions and regional arrangements (Fawcett: 438-39).

Hettne and Inotai (1994) emphasize the importance of distinguishing the old regionalism or earlier wave of regionalism generally explained by regional integration theories between 1950s and 1960s and the new 'wave' of regionalism starting in the second half of the 1980s with the end of Cold War and became pervasive phenomenon throughout the world. The new regionalism was not only developed in an altered world order but also the concept of regionalism has changed its form. There are certain differences that we can count to make the separation of the two (Hettne, B. & Inotai: 1994: 1-2).

- 1) Although old regionalism- also called hegemonic regionalism- took place in bipolar international system during Cold War, new regionalism takes place in multi-polar world order.
- 2) Whereas old regionalism was created from outside of the region, 'above' or 'top-down' with the support and the will of two super powers (US and Soviet Union) - and divided into West (represent the will of US) and East (will of Soviet Union); the new regionalism is a from 'below' or 'bottom-up' process developed spontaneously with the will of the members of regions.
- 3) Despite, the old regionalism was specific with the objective and generally has uni-dimensional purpose; the new one is more comprehensive and has multidimensional aims.
- 4) Soviet block and USA had great interest in regional formations. Their support and decision over the formation and the structure of regional arrangements were crucial during Cold War era. In contrast, after the end of long and exhausted Cold War both USA and Russia lost their interest in regional formations and generate freedom for regional formations to determine their own structures.
- 5) Both the old and the new regionalism started from Europe, but the new one became a worldwide phenomenon.

The early theories of regionalism attached importance to security and approach the nation-states as a problem rather than solution. The most relevant theories for regionalism were federalism, functionalism and neo-functionalism. Federalism was not an exact theory but was a model for European integration. Although there are no obvious theorists bringing clear definitions for the theory, federalism was skeptical about the nation-state despite what was to be created would be a new kind of nation-state at the end. In contrast to federalism, functionalism has famous name David Mitrany (1965). Like federalism, functionalism also wanted to move beyond the nation-states but in different way and by different means. Functionalism is an approach for peace-building and it argues that international organizations should be established to take the burden of arranging the co-operations for basic functional needs like trade, production, transportation, welfare. In addition, economics was seen more important than politics. Yet, functionalism was seen unrealistic and utopic. Among the other theories, neo-functionalism was the one that offered more theoretical framework for regionalism. The pioneer of neo-functionalism was Ernst Haas. Neo-functionalist argues that raising the level of interdependence between the member states would eventually lead to political integration. In addition to that ‘spill over’ mechanism was used to explain the theory in a broader way; *‘the way in which the creation and deepening of integration in one economic sector would create pressures for further economic integration within and beyond that sector, and greater authoritative capacity at the European level’* (Hettne & Söderbaum: 2008:63-64). Neo-functionalist theory explained ‘community method’ of Jean Monnet.

On the other hand, new regionalism occurred in a new international system where the effects of globalization are seen all over the world. Therefore, the contemporary regionalism need both endogenous perspective in which regionalism shaped and created within the region by a large number of members; and exogenous perspective in which globalization and regionalization contradicts, complement and intervened with each other (ibid:65).

After the WWII, regionalism what is called ‘old regionalism’ dominated by the integrationist theories focus on Europe. During the era from WWII till the end of Cold War, theories were Eurocentric and European integration theories were developed from the European integration experience. European integration was taken as successful modal for all other regional formations and they were evaluated according to Eurocentric criteria. The EC/EU was taken as bases and all other regional formations were seen as ‘different’ or ‘weaker’. EU was seen as highly institutionalized and multidimensional, on the other hand other formations were seen as weakly institutionalized and seen as a solely economic phenomenon. Therefore, this

type of generalization is misleading and problematic to define what regionalism is. For this reason the new one does not take the EU as a model to explain what the regionalism is and it claims that each regionalization has distinct incentives, dynamics and purposes imposed by their own members (Hettne & Söderbaum: 2008:68-69).

Hettne (1994, 2001, 2008), Farrell (2005), Mansfield & Solingen (2010), Gavin & Lombaerde (2005), Fawcett (2004) and all other writers literature review help me to create the context of regionalism. Hettne (1994:6) stress upon the distinction between hegemonic regionalism-imposed from outside and 'from above' as seen in establishment of SEATO(Southeast Asia Treaty Organization) and CENTO (Central Treaty Organization)- from within the region – 'from below'. In order to understand the process of Nordic Council establishment more clearly-whether it is top-down (from above) or bottom up (from below), the example of SEATO as Hettne gives place, will be examined. In this way I hope to clarify the distinction between the dynamics behind the establishment of Nordic cooperation and SEATO.

2.5 Formation of SEATO: as a small example of top-down regionalism

The formation of SEATO took place in the post-Second World War when new alliances were taken new forms with the establishment of NATO. Soviet bloc renewed its alliance with government of China, communist Vietnam, Democratic People's Republic of Korea and USA reached agreements with Japan, the Republic of Korea, Australia and New Zealand.

This rivalry between USA and Soviet Union advanced in Asian region especially after de-colonization process. In July 1946, USA granted its independence to Philippines, in 1947 Britain to India, in 1949 Netherlands to Indonesia and Britain to Malaya, Singapore, Sabah, Sarawak and Brunei. However after Japanese withdrawal, France tried to keep its control over Indochinese colonies-Vietnam, Cambodia and Laos. Yet, France faced with resistance coming from these countries to get their independence. When Chinese communist reached Northern border of Vietnam, USA decided to support France with militarily and morally, hoping not to preserve France colonial possession but to prevent of communist influence in Asia. The experience in Korea War concluded by the division of Korea rose up the anxiety of USA in this region. Therefore, USA did not let newly independent post-colonial countries be handed in Soviet camp. After the War, Vietnam was also divided into North- Việt Minh as the Democratic Republic of Vietnam - and the South-becoming the State of Vietnam – in

Geneva Conference on July 21 1954. In order to prevent the diffusion of communism in Southeast Asia, leading by United States and Great Britain Southeast Asia Collective Defense Treaty in Manila on 8 September 1954 was signed by Australia, France, New Zealand, Pakistan and Philippines and Thailand (Hall: 2005:113-116).

As Hettne & Söderbaum (2008), Fawcett (2004) and Schultz (2001) explain in the new and the old regionalism part, the establishment of SEATO was totally based on the will of USA and therefore, is an example for hegemonic regionalism imposed from outside and from above. In addition to that as Hettne mentions, similar to other old regionalism formations, SEATO also had single dimensional purpose and motivation -security- behind its establishment. The dynamics in foundation of SEATO can constitute an example to figure out if the dynamism behind the establishment of Nordic Council was a top-down or bottom-up process.

2 METHODOLOGICAL APPROACH

The single case study will be the primary methods in this paper. The first part is the theory of the study and second part will be the empirical part to test the first part. Literature review will be utilized in both parts.

The case study, as Yin (2003:1) states, is one of the several ways of doing social science research. Case studies can be suitable for qualitative and quantitative or both research methods but here qualitative method will be used. Case studies are preferred when ‘How’ and ‘Why’ questions of contemporary set of events are asked when the investigator has little control over the events (Leonard & Barton: 1990:22). As in the theory it was claimed that regional arrangements established during the Cold War era was top-down (according to old regionalism theory)-established by the will of superpowers- and after the end of Cold War, regional arrangements turned in to be ‘bottom-up’ process created by the will of their members. Here in my thesis, the aim is to find out ‘How’ Nordic Council was established as a bottom-up process even during the Cold War era and ‘why’ Nordic Council cooperation on security and economy remain weak. As it was indicated in my research question, case study is a very useful method to test the old-regionalism theory.

While doing case studies, experiments, surveys, histories, analysis of archival information that are the other ways of doing social science research, will be complimentary to the case study. Each strategy has advantage and disadvantage depending on the type of research question, and that can be the focus on historical or contemporary phenomenon or the control of researcher over actual behavioral events. Here historical background constitutes the framework of the whole study. The theoretical part that is the new and the old regionalism will be tested through the case study that is Nordic Council through historical literature reviews. Moreover, historical literature review will be utilized in the section where economic and security cooperation of Nordic council tested. Since ‘How’ and ‘why’ questions refers to the *explanatory case studies* that lead to use histories and experiments, history is used as preferred complementary strategy when there is no control or access to events and it helps dealing with ‘dead’ past by relying on primary or secondary documents. (Yin: 2003: 6-9). As mentioned above, here in this study historical background constitute most important framework of whole study.

Moreover, Yin (2003) describes the case study as an *empirical inquiry that: investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident...in other words, you would use the case study method because you deliberately wanted to cover contextual conditions (Yin: 2003:13)*. For this reason, in Nordic council case studies, the context in which the Nordic Council born is very important to find the answer of research question. For this purpose, historical context from 900 A.D. when Nordic countries interaction first began and developed in war and peace throughout the story including First and Second World War and in what type of context Nordic Council born in Cold War era and how it continues to developed after the end of Cold War generate the main framework to find the answer of research question (Wendt: 1981:11). Moreover, Gummesson (1988: pp.88) argues that several observations implemented in the case study methods gives us opportunity to examine many different aspects and also their relation with each other's views and also the process within its total environment by using capacity of researchers for understanding all these relations within that specific process. On account of this, the choices and policies of Nordic countries will be evaluated throughout the history as a process and this will help us to get better result in understanding Nordic Council by testing theories of regionalism.

As Yin (2003:21) describes in his book, a good research design deals with four problems: what questions to study, what data are relevant, what data to collect, and how to analyze the result. In this study I will try to set these entire four problems with a proper structure going step by step. First of all, research question is created properly and then the theory that is relevant to question is presented and then data especially about historical framework is put forth. Then after, evaluation of all the combinations of theory, the case and the date will be harmonized and analyzed. In addition to that the role of theory in designing the work is crucial. Yin (2003:28) explains the importance of theory as: *'for case studies, theory development as part of the design phase is essential, whether the ensuing case studies purpose is to develop or test theory'*. Especially for the single case studies theory is very substantial.

3.1 Methods for the Structure of the Thesis

With the light of these frameworks, in this paper first theoretical structure is presented. In theory part, several definitions about the concepts of regions, regionalism and regionalization will be expounded. Afterwards in order to understand the degree and purpose of regionalism,

level and dimension of regionalism are studied. After setting the conceptual framework about the regionalism through different literature review, the main part, history of regionalism is examined. This part is crucial to understand the contextual differences between the old and the new regionalism and what the old regionalism claims about the establishment of regional formations. Afterwards to approve the claims of the old and the new regionalism, a small example about SEATO is introduced; yet, this example will not be presented to make comparative analysis between the Nordic Council and SEATO. In contrast the small case-SEATO - in theory part will help us to understand the claims of old regionalism since according to Hettne (1994) SEATO constitutes a classical example of old regionalism in which regional arrangements established by top-down initiatives with the will of USA. This example with a simple structure will enable us to see the contradictions between what old regionalism describes and how Nordic Council develops.

After constructing theory part, brief history of Nordic region and the process of how Nordic cooperation over economy and security developed are studied. First of all, Nordic region situation and Nordic countries relations with full of wars, agreements, disagreements and dissolutions starting from A.D. 900 till establishment of Nordic Council will be presented. As it was mentioned above historical background will be the primary base for us to understand the dynamics behind the establishment of Nordic Council, weather it was formed from ‘above’ or from ‘below’. In second section of the empirical part will be constituted by brief structure of Nordic Council. This will give us an idea about what the Nordic Council is and how it functions as a regional formation. In the third part, security and economy as regional dimension along with historical context and the relations of Nordic members with the third parties like NATO and EU will be in focus. Through all these sections, history will be the primary supplementary framework for the case study.

3.2 Choice of Region and Regional Dimension

Putting aside what we have discussed above, we should first discuss what the ‘case’ is. Gillham (2004:1) explains the case as *‘a unit of human activity embedded in the real world which can only be studied or understood in context which exist in the here and now that merges with its context so that precise boundaries are difficult to draw..Case can be an individual, a group of people, a community, and a country’*

There are several rationales for choosing the single case study but not multiple cases for empirical part of the studies. One is that when a case study represents *critical case* testing the

proposition of well-designed theory. The single case can meet all the propositions of the theory presents and justify it or it can show totally reverse and contradicting condition what the theory claims and proves that some alternative set of explanations might be more relevant (Yin:2003:40). Here also Nordic Council as a single case study is supposed to test the validity of the old regionalist theory. In addition to that there are two types of designs for single case studies. One is holistic design and the second one is the embedded design. Holistic case design is for the examination of global nature of an organization or of a program. In contrast, embedded case study design is used if a case has subunits to be examined. For example, if one organization is a main case to be studied, its subunits like institutions or staff can be also examined (ibid: 42). The design of Nordic Council as a case study suits the second explanation-embedded design case- since apart from general view and historical background of Nordic Council itself, other subunits such as economic cooperation -Nordek- and security dimension-Norden- with historical context will be examined.

Before counting the reasons why I chose Nordic Council as a case and empirical study first there is a need to verify if Nordic Council can be counted as a regional arrangement or not. In theoretical part it was mentioned about the basic needs for the establishment of the regional arrangements. There are some commonalities-as Warleigh-Lack (2008:50) mentioned- such as cultural, geographical, shared history, language, identity and so on. Nordic countries as Wendt (1981:11) cited in empirical part, have shared culture, linguistic similarity, geographical proximity called Scandinavia and common history over long period of time. Furthermore, the concept of 'region' in the new regionalism refers to the world region or macro regions defined as a historical formation and political subject with its own identity. Moreover, Hettne (1994:3) discuss about new regionalism and claims that new regionalism presuppose the growth of regional civil society in which economic, political and cultural network among citizens of regional members developed more than any other formal political formation. Nordic region is an example for regional civil society. Although Nordic countries followed diverse security policies during the Cold War era, over a long period of time they converged towards a Nordic community (Hettne: 1994: 3). In addition to that, Nordic cooperation has formal regional name and institution called Nordic Council established in 1952 and it has sub-institutions like Nordic Council of Ministers, Presidium, NORDEN, NORDEK etc. that have different functions and purposes. The reason why Nordic Council was chosen as a case here is that after the literature review about the theory of what the old regionalism and the new one states and about the several regions, I found Nordic Cooperation

as unique example that can be contradict to what the old regionalists claims. In addition to that Nordic Cooperation is not a well-known regional formation unlike EU or EFTA. After proving that Nordic Council is a regional arrangement, it can be continued with why Nordic cooperation is chosen as case study.

Choosing Nordic Council might also give me opportunity to be among the few people who focus on these specific regional arrangements from different perspectives rather than focusing on well-known and popular example such as EU. In addition to that I found members of Nordic Council are unique and binding to each other on some specific aspects both historically and contextually. They were exposed to same historical context but found themselves in different positions. For example, because of geographical proximity, whole region was influenced by the threat of USSR and also the effect of US at the same time. However, Finland was the country who influenced more about this situation along with Sweden. Neutrality as a political strategic choice was followed by Sweden and somehow Finland because of these threads. For this reason they could not become member of NATO or could not take part in other arrangements. On the other hand, Norway, Denmark and Iceland were always relatively freer than Sweden and Finland in setting their foreign policy choices. They become NATO member and even Denmark did not hesitate in being part of EEC in 1973. It is also pretty interesting for me to understand the relations between this context and the establishment, the success and failure of Nordic Council.

For the choice of regional dimensions, security and economic will be in the evaluation. The reason why these two aspects are chosen is that they are two basic stimulation and also purposes behind the establishment of regional arrangements. The first generation of regional formations was primarily concern with the economics but ultimately concern with peace and security. As Hettne (2005) mentions, the central issue on which studies of both old and new regionalism initially focus on trade.

3.3 The Data Collection and the Obstacles

For the case study, the very first step in traditional experimental research is to review the literature to figure out what has already known about the topic. In addition, reading the relevant literature enables the researcher to get to know where to focus about the case and also get to know about case in the context (Gillham: 2004: 15). Since in this thesis, to test the theory and also to understand the weakness or the strength of Nordic Council as a regional

arrangement, literature review is very crucial for me to understand the context in which Nordic Council was established.

In this study books, articles, government official websites and reports written about regionalism, Nordic countries and Nordic council will be primary sources. Useful numerical data and charts published by Nordic Council official website will be utilized to support and test the theories. Statistical data and interviews are not used in this study but it does not mean that paper is away from being scientific or its validity can be questionable. Meyer (1988: 330) asserts that: '*... there is a need for articles that provide a comprehensive overview of the case study process from the researcher's perspective, emphasizing methodological considerations. This implies addressing the whole range of choices concerning specific design requirements, data collection procedures, data analysis, and validity and reliability*'. For this reason, I did my best to choose all the resources to be highly related to the case study that create comprehensive understanding of it.

Most important barrier that I faced during the research was language obstacles. Many of the publications were mainly in Finnish, Swedish and Danish language that was not translated in English. It might be better to obtain more variety of information if I did not face with this problem. In addition to that there are few literatures about Nordic Council and many of them generally have historical perspective over the Scandinavian region. During the literature review I did, I realized that many of these literatures dated back to 1970s. For this reason there is even fewer updated or new literature about it. Official website of Nordic Council generally gives general information about the issues like historical background of Nordic cooperation or the cooperation they are working on such as security and economy. All in all, preparing this thesis become like a puzzle whose pieces have been collected from different sources and make sense when all come together. For example, historical books about Nordic region enabled me to understand the current situation of the economic and security cooperation of Nordic members.

4. NORDIC COOPERATION-NORDIC COUNCIL

Since the aim is to examine Nordic Council as a distinctive regional arrangements that was established from 'below' during Cold War era in contrast to what old regionalists argues. Understanding the historical context and background of Nordic countries is significant to support this claim. In addition to get the answer of why Nordic Council's cooperation on economy and security remain weak, history will shed light for us to help finding answer of all these questions. In the light of this, first we will start with overall view about history of Nordic region that will help us to figure out if establishment of Nordic council is a top-down or a bottom-up process. Then brief information about the Nordic Council and Nordic countries cooperation on security and economy with historical perspective will be in our focus. Throughout the case study, Nordic countries relations with EU and NATO and their positions in these regional arrangements will be in analyzed to clarify the research question.

4.1 Overall View about the History of Nordic Region

Term of Scandinavia or Norden ('The North') is accepted terms used for five North European countries including Sweden, Norway, Denmark, Finland and Iceland. The Faroe Islands that enjoy considerable self governance but constitutionally part of Denmark has semi-official status as member with Nordic community. This is also applied to the Finnish Åland Isles. Three of them, Sweden, Norway and Denmark are originally from the same Nordic-Teutonic race. Faroe Island, Iceland and Greenland, where Norse settlement existed from A.D 900, came under the Norwegian crown in 1261 (Wilhelmsen: 1974:15).

Around 100 A.D, Finns moved from Baltic countries to the North passing through Gulf of Finland and settled what we call south and west-south Finland today. After a short period of time, Finns were influenced by Swedish culture who was already settled in Åland Island located between Sweden and Finland. During the Viking period (800-1000 A.D) Swedish and Finns interaction increased and Swedish Warriors and merchants travelled south coast of Finland and tiny population of Sweden migrated in Finnish mainland. These great interactions gave birth to the emergence of one kingdom-Sweden and Finland- about A.D. 1300. Swedish become the ruling class language and Swedish-Finnish main lands were united under one monarch, legislation and legal system. Apart from language, Finns belong totally to Nordic culture in every sense and sharing same Nordic philosophy, religion, legal system, tradition and their civilizations were all Nordic (Wendt: 1981:11-12).

In spite of the cultural and historical heritage among the Nordic countries, during the Viking period three states began to compete with each other. The size of the whole Nordic region explains very well why three states, Denmark, Norway along with Faroe Island, Iceland and Greenland; and Sweden with Finland, become to be hostile to each other (ibid:12).

After the centuries of fights, In 1380 Denmark was united with Norway (with Iceland, Faroe Island and Greenland) under Danish crown and Sweden was also taken under the rule of Denmark in 1389. In this way whole Nordic region united for the first time under the name of Kalmar union. Yet this unity did not last long, after almost fifty years Sweden withdrew from the union in 1448 and in 1520 Kalmar union was totally terminated (ibid:12-13).

From 1560 to the peace treaty in 1720, Nordic area exposed to the power conflicts between two sides, Denmark-Norway (with Faroe Island, Iceland and Greenland) in one hand and Sweden with Finland on the other hand. After the War of a century and a half, both parties were exhausted from it and signed Treaty of Frederiksborg in 1720 that brought long period of peace into the Scandinavian region (ibid:14-15).

However, the peace in the region was ended by Napoleonic Wars. Sweden with Finland joined England; on the other hand, Denmark and Norway joined French camp. Napoleon and Russian Czar attacked on Sweden in 1808 and Sweden was defeated. With the peace treaty of Frederikshamn in 1809, Sweden gave in Finland and Åland Island under the rule of Russia. In this way, centuries of strong tie between Finland and Sweden was broken down by Russia (ibid: 15-16).

After France was defeated by Germany in 1814, Germany wanted Denmark to cede Norway (along with Iceland, Greenland and Faroe Island) to Sweden. Yet, this dictation was refused by Norway and in November 1814 Norway announced its cession from Denmark and declared its independence by introducing a free constitution. For the first time since Middle Ages, Norway became an independent state. However, Iceland, Faroe Island and Greenland were given under the Denmark rule. These developments made Norway, Iceland and Finland realized how their national developments were hindered under the rule of Denmark and Sweden. These Romantic movements lead to the nationalistic movement in these countries. However, apart from Norway, the rest could not achieve to get their independence (ibid: 18-19).

After Napoleonic Wars, Nordic countries recognized the importance of collaboration once again. In 1864, cooperation over defense union, tariff union, common currency, recognition of university degrees was brought to the Nordic agenda for the first time. In 1862 first Nordic congress held by economists and in 1872 Nordic Jurists was held. The agreement for Currency union was ratified by Sweden and Denmark in 1873 and Norway joined in 1875. On the other hand, the plan for Nordic Tariff Union failed, yet special economic arrangements applied between Norway and Sweden was effective from 1874 to 1897. Nonetheless, in 1905 the union between Norway and Sweden was dissolved (ibid: 21).

First World War brought Nordic countries into closer relationship than ever before. Nordic countries were declaring their desire to be out of any hostilities both internally and externally. In addition to this, food shortage due to World War increased the exchange of goods between the Scandinavian countries regardless of who was giving what or who is contributing more. Their all concerns were to resolve their shortcomings. Before First World War, trade between the Nordic countries was about 12-13 %. This rate reached up to 30 % during the War period. This helped Nordic countries to understand their importance for each other. This cooperation paved the way for creation of Norden Association (Foreningen Norden) in Sweden, Norway and Denmark in 1919, in Iceland in 1922, in Finland in 1924, in Faroe Island in 1952, in Åland Island in 1970. The purpose of the Association was to move the Nordic cooperation of the War years to the forward in peace time in every possible way (ibid: 21-22).

The most important results of the Great War for Nordic countries were that Finland in December 1917 and Iceland in December 1918 gained their independence. Åland Island in 1922 and Faroe Island in 1948 were also given considerable degree of home rule (ibid: 22-23).

After the Great War, the close relation and ties between the Nordic countries setback again. The reason was that each state had specific and individual problems to face after exhausted War years (ibid: 24).

Nordic collaboration showed itself during 1930s because of World Economic crises in 1929. In every possibility Nordic countries were stating their interest in economic cooperation and also their desire on neutrality in front of rising rivalry blocks in Europe. With the Nazism Victory in 1933, Scandinavian countries started to feel the threat right behind their necks. After thread of Germany started to be felt in Baltic countries, Nordic countries for the first time underlined the necessity for the establishment of Nordic Defence Union. Nevertheless,

they could not take any considerable and significant step toward defense union but all of them renewed their intention over neutrality in 1939 (Saeter: 1975: 76-79).

In spite of the willingness of Nordic countries over neutrality, Finland was the first country affected by the upcoming Wars. In 1939, Soviet Union called Finland to the table for collaboration but Finns refused this proposal. Finland resistance was supported by Nordic countries and kept up when Finland was invaded by Soviet troops in 1940. During the harsh Winter War², Nordic countries could not provide military aid in form of troops but they supported Finland with military equipment, financial aids and some of the Swedish volunteers also attended the War on the side of Finland. It was the most influential times for Nordic countries to proved their strong ties to each other. Despite all those efforts, Finland could not escape from the inevitable end and it was defeated by Soviet troops. Right after the peace concluded between Finland and Soviet bloc, Finland asked Norway and Sweden to think about defense alliance between three countries. This proposal welcomed by Sweden and Denmark with great enthusiasm but it would never be realized because only one month later German attacked Denmark and Norway on April 1940, Iceland and Faroe Island were occupied by British troops, Finland allied with Germany against Soviet Union from 1941 to 1944 and Sweden achieved to be neutral thank to its strong military safeguard (ibid: 25-26).

Nordic countries came out of the War exhausted. After the end of War, Nordic countries again tried to unite and this time give more importance of Nordic Defence Union that they could not achieve previously. Although Swedish army was relatively in better position, Denmark and Norway military forces were totally destroyed. For this reason they emphasized on the improvement and restoration of these two countries' military forces. Nevertheless, establishment of NATO disturbed all the plans for Nordic Defence Union once again. Although Nordic countries, especially Sweden stated the importance of keeping away from the NATO, leading by USA, not to take part in any side, Denmark and Norway felt that access to strategic military equipment provided by west was vital. For this reason, Denmark, Norway and later Iceland signed North Atlantic Treaty in 1949. In the meantime, Finland also signed the treaty with Soviet Union stating the military cooperation in case of future German threat (Wendt: 1981:27).

² The Winter War was fought between Finland and the Soviet Union. Soviet forces began the War on November 30, 1939, and it was concluded on March 12, 1940, with the Peace of Moscow.

To be scattered militarily, the fear of distorted Nordic cooperation spread among the Nordic countries. At least in order to cooperate in other fields like culture, economy and political, Nordic Council was established in 1952 (ibid: 29).

4.2 Establishment of Nordic Council

As Thankur & Langenhoven (2008) mention before, some regional arrangements can help their members in settling their disputes more easily than single states can. First regional integration and unification of Nordic countries started in 1398 with the establishment of Kalmar Union also emerged in this kind of atmosphere as Thankur & Langenhoven mentioned. From then on their relations with each other have fluctuated with disintegrations and reunifications due to several external factors like WWI and WWII throughout the history.

The enthusiasm in setting up Scandinavian defense union failed due to Denmark, Iceland and Norway preference over the participation in NATO in 1949. In addition, an attempt in creation of economic custom union between Denmark, Norway and Sweden was also failed in late 1940s. Danish Minister of Trade, Jens Otto Krag made a speech to highlight about these failures:

“In my office in the Ministry of Trade in Copenhagen I have a cupboard in which I store important documents. In it I have a drawer marked 'Studies and minutes referring to Nordic economic co-operation'. It is packed full. It is bulging with paper. There is no drawer marked 'Results of Nordic co-operation', but if there were then it would unfortunately probably be – not completely empty – but certainly much less packed.”

Krag's speech gave the initiative to Danish Prime Minister, Hans Hedtoft to propose the creation of consultancy body in which Nordic parliamentarians can meet on regular basis. The proposal was accepted by Sweden, Norway, Denmark and Iceland (NCB: 2012). Nordic council was established as a political cooperation in 1952. It was the time for politicians looking for closer international co-operations after Second World War and also it was the time when UN and Council of Europe were established. Nordic cooperation was based on common values and desires to contribute Nordic competitiveness and competencies by creating Nordic synergy to bring effective solutions for citizens of Nordic countries and aimed collaboration in multidimensional areas like free movement of workers, closer economic co-operations, common identity creations and so on (Solem: 1997:41). With the light of this historical context and background of Nordic region where cooperation and unifications among

the members started from the establishment of Kalmar Union and maintained throughout the history lights us to evaluate what Hettne and Söderbaum (2008), Schultz (2001) , Fawcett (2004) clarified about the top-down and bottom-up dynamism of regionalism in theoretical part of this paper. it can be said that Nordic Council was established by the internal dynamics and the will of members in Cold car era in contrast to generalization of old regionalism about the top-down establishment of regional formations. The cooperation among Nordic countries throughout the history along with the cultural, historical, identity communalities explain and flash on the roots why and with which dynamics Nordic Council was established. In contrast to what the old regionalism claims, neither USA nor Soviet bloc did not play any role in the establishment of Nordic Council. It was totally based on the will of the members, internal dynamics and the need for the cooperation by member states. For this reason it can be said that foundation of Nordic Council was from ‘below’ or ‘bottom-up’. Moreover, in contrast to the old regionalism claims about the uni-dimensionality of regional dimensions (Hettne: 1994:1-3), Nordic Council was identified with multidimensional purposes as Solem (1997:41) mentioned above.

The first Session of Nordic council was held in Danish Parliament on 13 February 1953 and Jens Otto Krag initiated the first idea of Nordic Council was elected as first President (NCB: 2012).

In 1955, Finland joined the Council. Right after that mobility and free movement of labor law among the member states was put in force on 2 July 1954. This development was followed by Nordic Convention Social Security in 1955, Nordic Passport Union in 1955 (ibid: 2012).

On the other hand, members of Nordic Council kept being part of other regional formations. In 1959, Sweden, Denmark and Norway joined EFTA (European Free Trade Area) and Finland become associated member in 1961. Afterwards, Denmark and Norway sought to be member of EEC (ibid: 2012).

Eliminating intra-Nordic countries’ tariff was the primarily objective of the Council. Other target was to establishment of the Nordic Custom Union. However, all these objectives and efforts went down when members of Nordic Council kept being part of other regional formations. In 1959, Sweden, Denmark and Norway joined EFTA (European Free Trade Area) and Finland become associated member in 1961. Afterwards, Denmark and Norway sought to be member of EEC (ibid: 2012).

Since the members of Nordic Council diversified their attention to other international organizations, the concern about a breakup of the Nordic community rose up among the Nordic Council members. Nordic Council based on five national documents rather than international convention. Along with their fear about disintegration, a Nordic country decided to sign Helsinki Treaty on 23 March 1962 that is known as Nordic Constitution today (Solem:1997:48). For furthering the unification and homogenization of the region, some several steps were taken. For example, an agreement on a Nordic Cultural Fund was ratified on 3 October 1966; The Nordek Plan for Nordic Economic cooperation was passed from Nordic Council Session in Reykjavik on February 1970. Nevertheless, due to close relations with Soviet Union, Finland did not ratify the treaty.

In 1967, the Faroe and Åland Islands decided to take part in Nordic Council. Since 1971, Sweden, Denmark, Norway, Iceland and Finland have been member of Nordic Council of Ministers. Yet, the Greenland, the Faroe Island, and Åland Island have been increasing their representation in Nordic Council of Ministers since then (NCM: 2012).

As Hettne (1994:18) early in the paper mentioned about the increase of regionalization impetus and also co-operation between the regions due to diminishing involvement of Russia and interest of USA in many regions after the collapse of Soviet Union and rising opportunity for further widening and deepening the co-operation for its members, can also be traced in operations of Nordic Council as well. After 1989, relations and cooperation among the members were widening and getting closer. Inter-regional and international cooperation was initiated between Nordic Council and Baltic States and Northwest Russia (HNC: 2012). Since the establishment of Nordic Council, the areas where Nordic Countries have been collaborating have widened. Art and culture, Media and Language, agriculture and business life, energy , innovation , labor and employment, education and research, environment and nature , legislation and justice, justice, security and defense, welfare and gender equality are the examples of those areas (ibid:2012).

4.3 Brief Structure of Nordic Council

Nordic Council was established in 1952 and its current members are Denmark, Finland, Iceland, Norway, Sweden, the Faroe Islands, Greenland and Åland. The Council has 87 elected members who are members of national parliaments. Nordic Council is run by *Presidium* which is the highest authority with the overall responsibility for political issues,

drawing up activity plans and budget and also arranging cooperation among the parliaments on foreign and security policies (NCP:2012).

Presidium is responsible for making decisions on behalf of Nordic Council in between annual assemblies, the *Sessions*. The sessions are annual meeting happening two times a year and Nordic issues are discussed by Nordic parliamentarians with Prime Ministers and other Ministers of the Nordic countries. The Sessions are very unique for Nordic regional cooperation touching upon very crucial debates on regional questions and issues. These Sessions are also suitable arena for other regional and international entities such as Baltic States, Northwest Russia to take part in discussions and to create effective Nordic inter-governmental cooperation. Presidium has close relationships especially with Baltic countries, Estonia, Lithuania and Latvia (ibid: 2012).

Presidium has thirteen members including President and Vice-President. All member countries and part-groups have to be represented in the Sessions and also in the Presidium. The following meeting place, rotates between five Nordic Countries, is determined in every autumn Session in advance and also Present and Vice-Present are held by the host countries where Sessions will be gathered (ibid:2012) . In addition to that Presidency of the Nordic Council of Ministers draws up a programme that will lead the Nordic Council co-operation during the year (ANCM:2012).

Political cooperation in Nordic council is run by five main committees and executive body; Presidium. Committees are Culture, Education and Training Committee; Citizen's and Consumer Rights Committee; the Environment and Natural Resources Committee; Business and Industry Committee; Welfare Committee; Control Committee and Election Committee (ibid: 2012)

Presidium can give authority to committees or working groups for specific tasks such as Budget group. Presidium can give proposal for the discussion topics in the Sessions to get the recommendation of Nordic Governments and Nordic council of Ministers. Moreover, Nordic Prime Ministers meet every year and especially before EU summits they get together along with Nordic Foreign and Defence ministers (NCM: 2012)

Yet the issues discussed by Presidium and Committees are prepared by Nordic Council Secretariat.

4.4 Regional Dimensions of Nordic Council

Hettne (1994) and Warleigh-Lack (2008) mentioned about the relationship between the level of regionness and the dimension of regionalism. Level of regionness affects the dimension/purposes of regionalism. The stronger the level of regionness is, the deeper the integration in dimensions of regionalization. Level of regionness, in short, means how much economic, political, security integration has been achieved. Here security, economic and cultural dimension of Nordic Council regionalism will be reviewed to understand why Nordic Council members could not develop stronger cooperation on security and economy. As Schultz (2001:14) expresses states cannot be understood without focusing their environment and neighbors surrounding them, in the same way regions cannot be understood without analyzing global world surrounding them. For this reason historical context of economic and security cooperation among the Nordic Countries and their relation with third parties such as EU and NATO will be in our focus to have idea about the level of regionness in these co-operational areas. In security area, Nordic countries relations with NATO and EU-ESDP- will be the determinative factors in shaping the level of regionness in security dimension. In the evaluation of security part Rieker's terminology- Europeanization for Nordic countries- will be the crucial part to bring conceptual explanation for the late establishment of Nordic cooperation over security. For current context of economic cooperation in Nordic Council, the establishment of EU, EEC and EFTA and Nordic countries relation with them will be the primary agents.

4.4.1 Security Cooperation of Nordic Council

As it was examined previously, although there has been strong cultural ties and common historical close relations on many fields, almost all Nordic countries were exposed to different security experience throughout the history. Since the Middle Ages, no single power of the region could enforce strategic unity on the region or become super power to undertake the responsibility of providing security for all region. As it was discussed in 'overall view about the region' session in this study, Nordic countries has many attempts in establishing Nordic Defence Union. The first attempt was done in 1930s but because of German threat Nordic countries chose to be neutral. Second attempt was in 1940s however this was also blocked by WWII when Denmark and Norway were attacked by Germany; Iceland and Faroe Island by British and Finland by Soviet Union (Wendt: 1981:11).

Although, it seems so surprising for a region, suffering a lot about the destruction of wars and invasion by both European and Soviet powers, that five countries could not develop any collective defense means to prevent all these destructions. Yet, may be historical background and their preferences would be enough to explain the reason behind this fumble. After WWII, there have been sovereign Nordic countries namely Denmark, Iceland, Norway, Sweden and Finland and because of regional conjuncture, they followed different strategies for defense issue. Cold War era was problematic for Nordic Countries in choosing the path and also effecting from the influence of Soviet Block in one hand and the West Europe and US on the other hand (Neuman: 1996:417).

Norwegian Foreign Minister, Knut Frydenlund in his speech in 1986, pointed out how Norwegian foreign policy was shaped:

'...our foreign policy situation today is decided by ...the development of the relationship between the US, the Soviet Union and the European Community, and by the Norway's relationship to each one of these...this tripod relationship influences the shaping of Norwegian foreign policy.' (ibid: pp.418)

As it can be comprehended from Frydenlund speech, during the Cold War era, foreign and security policies of Norway, Finland and Sweden were shaped by external influences. Finland security policy was shaped mostly by Soviet Union, Norway's by US and Sweden was in between of the two. Just because these countries could not develop common defense union because of different conditions they found themselves, they had to follow different security policies. In their security choice, three Nordic countries, Norway, Iceland and Denmark, chose to become members of NATO, on the other hand Finland and Sweden stayed neutral. Sweden did not take any part in NATO not to get any reaction from Soviet Union and depend on her own military capacity. Finland on the other hand was under the influence of Soviet Union and obliged to sign the Treaty of Friendship, Co-operation and Mutual Assistance with the Soviet Union. Although Denmark, Iceland and Norway became members of NATO, they guaranteed that no foreign forces or nuclear weapons on their territories would be launched by NATO decision during peace time (Bailes, Herolf & Sundelius: 2006: 3-5). All those 'de-securitization' strategies followed by five Nordic countries were the efforts to provide regional 'Nordic balance' during the Cold War. Nordic Council also refrained from any discussions of defense or other external policies due to delicate position of Finland. Only after

the 20th century with the collapse of Soviet Bloc, Nordic Council started collaboration over foreign policy and defense issues (Riker: 2004:301).

Nonetheless, in spite of the desire of Nordic countries on the formation of defense union, setting common security choice was not an easy task for Nordic countries after Soviet effect in Finland, US effect in Norway and Sweden. The neutrality policies followed by Sweden and Finland for a long time also hardened this process even more. Finnish President Martti Ahtisaari speech in 1994 given after the collapse of Soviet Union was touching upon this subject clearly:

'Although our societies and cultures having many similar traits, we have after all found ourselves in different situations geographically. This has influenced our international position and our foreign political choices. The meaning of geopolitics does not disappear as quickly as the picture presented to us by the media's seems to indicate.' (Neumann: 1996:420).

The Norwegian book title *'the US or the EC- will Norway have to choose?'* also another indicator the giddiness of Nordic countries in settling their security policy choices.

On 19 June 1992, debates over new security agenda setting spread to Sweden as well. Swedish Supreme Commander Bengt Gustafsson evaluated post Cold War situation and stress upon the decreasing threats coming from Russia and also decreasing interest of US over Europe and Nordic countries. For this reason Gustafsson drew attention to the possibilities of closer cooperation on Nordic defense and security policy (ibid: 422).

Yet, Gustafsson's speech could not be enough to create initiative over the establishment of common security and defense policies among the Nordic countries. The reason is that in 1992 Nordic countries were busier with the discussions over being member of UN or EU or being alliance with Russia to settle their new security policies after Cold War. Finland and Sweden had doubts about the uncertainties resulted from possible unexpected turn of Russian politics. In addition Finland and Sweden were in favor of being member of EU and one of the Norwegian politicians was explaining it with these words:

'the best way to deal with such a situation is to ensure that the Nordic countries are firmly linked with broader-based European arrangements so that any pressure on the areas is also regarded as pressure on our partners in the cooperation. Thus, in my view Nordic membership of the EC is the only path to satisfactory cooperation in the North.' (Neuman: 1996:422)

There were several reasons behind choosing to be member of EU. First of all, EU could create a power balance against Russia, and at the same time, sense of belonging EU can give Nordic countries to take step toward further development of the relationship with the Baltic areas and Russia. Secondly, in this way, increasing integration with EU could also enable more homogenous security situation (ibid: 424).

Therewithal, Nordic Council did not stop the relations with Russia, although Nordic countries refrained from any type of bilateral relationship with her. The aim was to increase Russo-European relation ties with the trade and environmental investment, especially in North-west Russia (ibid: 42).

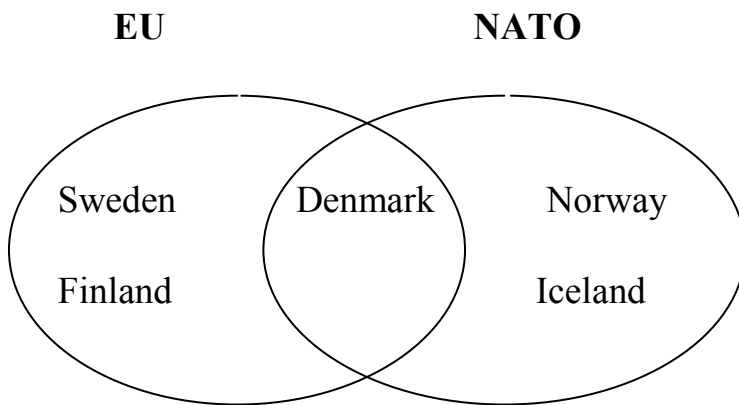
4.4.1.1 Nordic Countries Relation with European Security and Defence Policy (ESDP)

As it was discussed earlier the reason why Nordic countries were more willing to be part of EU, Sweden applied for EU in 1991 and Finland in 1992 and both accepted in 1995. The initiatives behind Finland application to EU were both economical and political. Finland had confidence over the ability of EU security in providing political security even in the worst case of a possible future attack by Russia. In addition, economic integration could bring economical dynamism for Finnish market. The integration enthusiasm of Finland with EU was so high that in 1999 Finland joined monetary union of EU and become member of Euro zone. In this way Finland become the only country among the Nordic countries joined monetary union of EU. Swedish initiative toward EU membership did not have security dimension but purely based on economic ones (Bailes, Herolf & Sundelius: 2006:7).

Norway had three applications for EU membership. One was in 1962 but it was refused by French President Charles de Gaulle in 1963. Second one was in 1967 but this time Nordic citizens refused being full member by referendum. Last application was in 1992 and again it was refused by Norwegian people with referendum in 1994 (ibid: 324).

When we look at the current picture Sweden and Finland are the EU members but not member of NATO; Iceland and Norway are non-EU NATO members; Denmark is the only EU and NATO member (see graph 1) among all. The evaluation of their individual relations with EU and NATO will be based on the graph below.

Graph 1



Post Cold -War security structure has brought a significant challenge to the Nordic region; especially European integration is the sources of it. European integration on security does not only divide five Nordic countries as EU members and non-EU members but it also divide three insiders-Denmark, Sweden and Finland- on basis of their perspective on EU security policy (Tiilikainen:2006:50).

In 1998, Anglo French St. Malo summit ³ paved the way for a solution for the institutional problem related to the security and defense issues of EU. At the Helsinki European Council of December 1999, EU has agreed on establishing its own military institutions and defense capability for the first time in order to take direct role in crisis management with European Security and Defence Policy (ESDP). ESDP is one part of EU's security policy but the most determinant one for EU's activities with regard to external relations and to fight with terrorism. Sweden and Finland actively took part in policy formation by emphasizing the importance of NATO (Rieker: 2004:302).

Although Nordic countries have many things in common, they have different approach to the ESDP and EU's security policy in general. It both stems from their relations with EU; Sweden, Finland and Denmark are members but Norway is 'associated' member and also their national security traditions; Sweden and Finland is always neutral Denmark and Norway are member of NATO (Riker:2004:301).

³ The European Security and Defence Policy (ESDP) process, launched five years ago at Saint-Malo, made significant steps forward in 2003 - despite the seriousness of EU divisions over Iraq. This progress will be accelerated as a result of the November 2003 agreement between France, the UK and Germany to harmonies their approaches to defense and security.

During Cold War, the security policies of Nordic countries were based on provision of 'Nordic Balance' between USA and Soviet Union. Therefore they refrained from taking part in any certain party. Yet, the end of Cold War paved the way for more blurred security context and it took some time for Nordic countries to respond this new security environment. Some emphasized the maintenance of traditional security policy and some underline military aspect of security (ibid: 302).

While the Nordic countries are similar in many respects, they have different attitude and approach to ESDP. This stems from their different formal relations with EU: the two are full members -Sweden and Finland-one full member with opt-outs-Denmark- and one associated member-Norway. Apart from this, different national security policy of Nordic countries: two non-aligned, traditionally neutral countries-Sweden and Finland- two members of NATO-Denmark and Norway-are effective in determining the position with ESDP (ibid: 301).

Denmark was the first member of EU among Nordic countries joining the community in 1973. Denmark was keeping her integration with EU but with *a sui generis* type. Denmark has refused EU's 1992 Treaty of Maastricht and negotiated with EU members on specific national 'opt-outs' that permits Denmark to be exempt from the four integration dimension of EU: the Economic and Monetary Union, European Defence Cooperation outside NATO, Union Citizenship and EU cooperation defense and home affairs. In this way Denmark become the least integrated Nordic country to the ESDP of all Nordic countries although she is the only country among Nordic countries who is member of both NATO and EU (Bailes, Herolf & Sundelius: 2006:11). In fact Danish criticism over EU security policy stems from it critical view over political integration in general. Furthermore, Denmark has a fear that EU integration on security with the establishment of ESDP would diminish NATO position in international arena. Having a lack of supranational aspects, NATO is a better option than EU according to Danish perspectives. On the basis of it, even if ESDP become the rival of NATO or both have the same status, providing the world security would be all Euro-centric rather than neutral. Considering all these approaches of Denmark, Danish security policy is more Atlanticist.

Finland kept its neutrality policy during the Cold War era as not a choice made by its own willing but more like as strategic position. After the end of Cold War, Finland changed its route toward deepening the integration with EU, and ESDP was part of it (ibid: 52). After long suppressed western identity, Finland integrated itself into Europeanization process with

greater enthusiasm than other Nordic countries. Finland showed great enthusiasm for the establishment of ESDP and actively took part in it. Since, EU became most important platform for Finnish foreign policy even more than NATO. Unlike Denmark or other European countries, Finland is not included in the group who are against further development of the ESDP on the basis that it would violate NATO position and priority. Evaluating Finnish perspective on ESDP, it can be said that Finnish security policy has a more European rather than Atlanticist dimension (Bailes, Herolf & Sundelius: 2006:52).

Norway is one of the founders of NATO and in every opportunity it tries to show its loyalty to NATO. Norway's security policy early 1990s was compatible with the EU membership but majority foreign policy makers underscored the importance of NATO and transatlanticism was dominating the Norwegian security policy. However this approach changed in the mid 1990s and Norway gave more emphasis on balance of EU and NATO and stressed upon being member of the EU. However this was refused in 1994 with referendum by Norwegian people. From then on, Norway has kept closer relations with EU. Association arrangement with ESDP was a sign of this closer relation and furthers the Europeanization process of Norway. Nevertheless, it can be easily said that Norway is not so enthusiastic about the creation of ESDP. It does not mean Norway ignores it at all but it shows its willingness to contribute in it and stressing upon the co-operation of NATO and ESDP. Norway still emphasizes the importance of NATO (Rieker: 306).

The reluctance toward the European integration process was felt during 1990s in Sweden. EU's security policy doctrine was seen as incompatible with Swedish neutrality policy. Despite the skepticism toward EU integration, some political elite emphasized on the importance of integration process and having closer relation with EU. Once Sweden applied for full membership, intense domestic debates over the destruction of traditional security policy, 'neutrality' has become. Yet, begin full member in 1995 it was accepted that there was a need for more radical change in external foreign policy of Sweden. Europeanization of Sweden has started in this way. The establishment of ESDP was welcomed by Sweden. Along with Norway, Sweden was neither so enthusiastic for ESDP unlike Finland nor she was totally against it in contrast to Denmark. However, Sweden underlines the importance of NATO in every point (ibid: 305).

Indeed, ESDP was a problematic and challenging process for non-European and European Nordic countries, Norway and Iceland as well as for Denmark with opt-outs.

Sweden and Finland was also skeptical about European defense arrangements. For Norway and Iceland, ESDP represents the policy of the EU and public support in any Nordic countries would drop if it would declare the operation is not lead by NATO (ibid: 306)

4.4.1.2 Nordic Relations with NATO

As mentioned above Norway, Denmark and Iceland were among the founder of NATO in 1949. During Cold War era, Sweden and Finland, due to their sensitive positions with USSR could not apply NATO. However after the collapse of USSR, Sweden and Finland did not prefer to take part in NATO. Rather than being full member, they signed treaty with NATO on Partnership for Peace (PFP). In addition, both of them got great advices from NATO through Partnership and Review Process within PFP on adapting their military forces for maximum interoperability in NATO-led peace operations (Bailes, Herolf & Sundelius: 2006:8). Their considerable force contribution both in NATO Stabilization Force (SFOR) in Bosnia and Herzegovina and its Kosovo Force (KFOR) can be showed as an example for relations between NATO and Finland and Sweden.

Leading by Denmark, all Nordic Countries recognition the legitimacy of NATO is very respectful. Supporting ESDP or not , all Nordic Countries as Thanku and Langenhove (2008) mentioned earlier are in favor of all type of military or civilian operations under the authorization of UN. They also highly concern about the eradication of NATO role in global security provision by any kind of regional security block which might create alternative to NATO.

Rieker (2004) evaluates the settlement of security choice and economic preferences of Nordic countries, after end of Cold War, have been highly Europeanized. However, the degree and the character of Europeanization have varied according to historical context and geographical differences. On the account of this comment of Rieker (2004) and the historical background as we studied so far, it can be interpreted that establishment of NATO coincided with the establishment of Nordic Council. During the Cold War era, Nordic countries was trying to crate 'Nordic Balance' in the region by being member of NATO as Denmark did or staying neutral as Sweden and Finland (Rieker:2004). In this bipolar context, not to disturb this balance, Nordic countries were far away from establishing their own security arrangements. After the end of Cold War era, ESDP came as an alternative to NATO and European integration and Europeanization of Nordic countries speeded up in the region after Sweden and Finland being member of EU. For this reason, although Nordic countries have always has

enthusiasm in establishing their own defense union since 1939 as an internal dynamism coming from 'below', they have drawn into different international arrangements such as NATO(during Cold War) and EU (ESDP-after end of Cold War) (Wendt: 1981:24-25). Therefore, As Hettne (2001:404) gives place and discussed before about Barry Buzan's explanation of regional security complex with formal regional arrangements could not set up for so long for Nordic Countries and other alternative regional security arrangements took the attention of Nordic members. Especially geographical proximity of Nordic countries to EU brings helps us explain a piece of picture why Nordic countries could not developed their own effective security arrangement till 2009 and for this reason Nordic cooperation on security could not be stronger.

4.4.1.3 Nordic Council Security-NORDEFECO

In the brief history of Nordic Council, it was set clearly why Nordic countries could not deepen their cooperation on security until the end of Cold War. WWI, WWII and bipolar Cold War era were the main reasons behind the deficiency of security dimension of Nordic Council (NCD: 2012). After the end of Cold War, Nordic countries started to seek position in international organizations like EU and NATO.

Nordic countries have a shared history of cooperation such as within the UN and training and materials have been inclusive since 1990s. However 2009 was the year for Nordic countries to deepen their security cooperation with the establishment of the Nordic Defence Cooperation (NORDEFECO). NORDEFECO is the extension of EU-NATO cooperation of Nordic countries and it is responsible for creating the synergy among the members to produce effective solutions over security problems by enhancing operational efficiency with the cooperation across the borders. The duty of NORDEFECO is to provide logistic, training and exercise, operational activities and international operations. Thorvald Stoltenberg, former Norwegian minister for both defense and foreign affairs, published a report on 'Nordic co-operation on Foreign and Security Policy' to present a vision which is covering ;building peace, air surveillance, marine surveillance and arctic issues, societal security, foreign service, military co-operation headlines for future collaboration under NORDEFECO (ibid: 2012).

Following the establishment of NORDEFECO, declaration of solidarity in the area of foreign and security policy agreement between the Nordic countries was signed Helsinki meeting in April 2011. With this agreement, five countries, Sweden, Finland, Norway, Denmark and

Iceland were agreed on if any of the Nordic country will be in crises or attacked by third party, other members will assist it with relevant means (ibid: 2012).

As discussed before, Nordic countries always felt requirement and enthusiasm to establish cooperation on security dimension. I do not think it will be wrong if we call this desire of Nordic countries as from 'below' or 'bottom-up' formation as new regionalist calls. However it could not be achieved due to several reasons like the conjecture of bipolar system, preservation of 'Nordic balance', establishment of NATO and then formation of ESDP (Rieker;Bailes, Herolf & Sundelius: 2006; Wendt: 1981). These factors can be shown as reason why Nordic cooperation on security was delayed and why it is not so strong.

4.4.2 Economic Integration of Nordic Countries

In order to understand the dynamics of economic cooperation between the Nordic countries to determine whether it was established from 'below'- 'bottom-up' or from 'above'- 'top-down', historical context is very crucial as it was in security section. The conditions how the economic cooperation among the members have developed in which contextual background will be presented to understand if the Nordic cooperation on economy under Nordic Council is satisfactory and even if not what are the reasons behind it.

Economic cooperation among Nordic Countries dates back to the 19th century. In 1872 between Sweden and Denmark monetary union was set up and in 1875 Norway also joined the union. Finland and Iceland remained outside of the monetary union. In addition to that, from 1871 to 1897 free trade area between Sweden and Norway was established but due to political instabilities and economic diversion it could not last long. In 1880s Denmark was stressing upon the need for establishment of larger common Scandinavian market which would be problematic issue for future as well. Especially Danish financier C. F. Tiegen was one of the main actors working over this issue. However no important step was taken to accomplish this task by any Nordic countries (Solem: 1997:66).

The disintegration of Sweden-Norwegian union in 1905 and the suspension of the monetary union in 1914 caused serious retrogression to economic cooperation among Scandinavian states. The main reason for economic setbacks was the result of WWI. After the Great Depression in 1929, Nordic countries were again ungrudging in economic cooperation in 1930s; yet the practical result was again few and had limited importance. Post War years generated common way of thinking between Sweden, Denmark, Norway and United

Kingdom over political cooperation. In 1949 UNISCAN, between the United Kingdom and Scandinavian countries was set up. The purpose of UNISCAN was to free certain types of financial transaction and also finding solution to certain type of economic questions (ibid: 68).

4.4.2.1 Custom Union Proposal and NORDEK Plan

The actual economic cooperation started after the end of Second World War. In 1947 meeting, foreign ministers of Norway, Sweden, Denmark and Iceland suggested for further economic cooperation in Scandinavia. For this purpose they established the Joint Nordic Committee for Economic Cooperation. In consequences of political relation with Soviet Union, Finland could not take part in Committee. The Committee object was to look for possibilities for reducing inter-Scandinavian tariffs; establishing common Nordic tariff and then taking a step further for custom union (Solem: 1997:67).

There was a general belief among member states that common Scandinavian market would bring the opportunities for state-based production specifications, large-scale production, and increase in competitiveness both within and outside of the region and rationalization. These initiatives are the main purposes for the establishment of regional arrangements based on economic incentives (Farrell: 2005:22)

However, Norway was not in a decent position to be part of common market. Neither its agricultural or industrial sectors were not as developed as Swedish or Danish sectors. After the WWII, Denmark did not have and fear about custom union because neither Danish industry nor Danish agriculture had much fear from competition. Sweden also was eager to be part of the common market because it was the most industrialized of the Nordic countries experienced with export of diversified products. Due to the close relations with Soviet Union, Finland could not take part in EEC. Therefore Finland also showed reluctance to common market (Solem: 1997:72-73).

In 1954, after the establishment of formal regional arrangement Nordic Council, Danish, Swedish and Norwegian commerce ministers met in Harpsund and set up Scandinavian cooperation committee to discuss about custom union again. Nevertheless because of earlier reasons, Norway did not show any interest in reducing its custom barriers since her industries were not in a position to compete with those of Sweden and Denmark. In 1959 Committee present a proposal to Nordic countries to discuss common market once again. However there was no serious step taken due to several reasons both within and outside the region. As an

internal reason, long opposition coming from Norway was counted and as an external reasons, emergence of EFTA and EEC was taken into consideration (ibid: 76).

The NORDEK (for Nordiskt ekonomiskt gemenskap in Swedish or Nordøk for Nordisk økonomi in Danish and Norwegian) plan similar to EEC was a major attempt to create some arrangements compatible with EEC. In 1968 Denmark gave a proposal for NORDEK in Nordic Council. Although free market was already formed with EFTA, the basic aim of NORDEK was to promote common Nordic tariff to increase level of competitiveness within the Scandinavian region (Wendt: 1981:68).

Among the target of NORDEK, the elimination of barriers in front of trade, reduction of duties on manufacturing goods; consultation on fiscal policies, greater economic information exchange, liberalization of capital movement, creation of Nordic investment bank to issue bonds in all Nordic countries; taking recuperative steps for industrial development, increase cooperation in some fields like automation, marine, power supply; dealing with rules of competition, education, trade legislation were main headlines (ibid:79-80).

In spite of some obstacles about the overall NORDEK scheme, NORDEK plan was working quite well in 1970s. On March 24 Finland also signed treaty to be part of NORDEK. However, NORDEK was not effective.

4.4.2.2 Nordic Council and European Free Trade Association (EFTA)

EFTA was formed by Austria, Denmark, Norway, Portugal, Sweden, Switzerland and United Kingdom. Since EFTA did not have any political objective and just barely depended on economic purposes. Finland also applied for EFTA and signed treaty on 1 July 1961 and become associate member and became full member in 1986 (Wendt: 1981:76).

With the establishment of EFTA, Nordic Customs Union ceased. The most important advantage for Nordic countries of being member of EFTA was dismantling intra-regional tariffs for industrial goods between each other that they could not do during Nordic Custom Union negotiations. Trade among Scandinavian countries increased dramatically than of other EFTA members. Export within Scandinavia was counting almost one third of total EFTA export. It was because trade among Nordic countries was more concentrated than other members in EFTA (ibid: 77).

During 1950s and till late 1960s, Iceland did not have any enthusiasm to be part of any kind of free trade area arrangements neither with Nordic nor with other European countries. The reason was that Iceland had a fragile and infant industries and any kind of free trade agreement would be destructive for home industries. However, late 1960s, Iceland had a fear of being isolated from both Nordic and Western Europe. Thus, on January 29, 1969, Iceland presented its application to EFTA and admitted on 1 March 1970 (ibid: 78).

4.4.2.3 Nordic Countries and European Economic Community (EEC)

Establishment of EEC was in 1957 and it coincided with the establishment of Nordic Council. When Great Britain decided to apply EEC in 1961, Denmark and Norway also followed it up and Sweden was only looking for conditional membership or association due to her neutrality policy. Finland and Iceland made no application for it. However, Britain and Nordic countries were refused by EEC (Solem: 1977:72)

Along with Norway, Denmark also applied for full membership to EEC on January 22, 1972. However, Norway was refused and only asked for free trade arrangements as like other Scandinavian countries. In contrast due to developed industrial and agricultural sector, Denmark was admitted to the Community on 1 January 1973. In this way, Denmark become first Scandinavian country that was admitted to EEC (ibid: 80).

Although Sweden had great enthusiasm in being part of EEC but at the same time she wanted to keep her traditional neutrality policy. For the purpose of getting full membership, negotiations were opened on November 10 1970. Yet when EEC published Davignon Report on foreign policy cooperation that would be against Sweden traditional neutrality policy, Sweden quitted from the demand of being part of EEC. Yet on July 1972, agreement on mutual free trade for industrial goods was signed. On same day with Sweden, Iceland also signed the same treaty (ibid: 82).

Assuring the Soviet Union that the relation with the EEC would be solely based on economic relations, Finland also signed trade agreement on October 5, 1973. Although Sweden and Finland could not take part in EEC, they joined newly established European Union (EU) in 1995 so they ceased to be EFTA members. However, both Iceland and Norway are still opposed to be member of European Union. Yet Iceland and Norway have been member of EFTA and also been in Schengen area (Europa: 2012).

Formation of EEC was in 1957 and it coincided with the establishment of Nordic Council. Although establishment of common Scandinavian market and common currency was the long-term plan of Nordic countries since 19th century, they failed to realize many times. Apart from uncertainties and threads throughout the history that shapes the Nordic countries preferences like happened during cold war era, both EEC and EFTA created a magnet for Nordic countries to be part of relatively bigger economic arrangements where the market is bigger than what Nordic market can serve.

4.4.2.4 Economic Activities of Nordic Countries

The purpose of the Nordic Council of Minister's cooperation on economies is to prepare proper conditions for basic economic goals such as full employment, sustainable growth and foster the trade among the members. Other international purposes are to promote Nordic interest at international level and also increase Nordic region integration with other regional arrangements and with EU (NC: 2012).

Although in the 19th century Nordic countries were described as being poor where many district areas struggle by poverty, disease and heavy immigration, their image turned out to be one of the most prosperous and stable economies among OECD countries in 20th century. The economy of Nordic countries has showed similarities although it shows differences in many aspects from other European countries.

Nordic countries established passport union and common Nordic labor market in 1954 and 1955. Just because they are small-scale economies, all of them try to manage their own affairs autonomously. Yet, by the 21st century there was no Nordic central bank no central mechanism to organize interest rates and region still have five different currencies. In addition to that since Nordic countries could not establish a strong economic union throughout the history unlike European Union and also because of their small scale economy with small number of population, EFTA and EU hold an important place for trade and FDI activities for Nordic countries (Hilson: 2008:74-75). For this reason, in order to understand the importance of EU market for Nordic countries economic activity, intra- extra trade relations and FDI flows will be examined.

4.4.2.4.1 Intra and Extra Trade Relations of Nordic Countries

Nordic countries are small-scale economies therefore, as Peter Katzenstein states in his book; they are highly export-depending countries. For example, merchandise export of Denmark is

97.393 million US\$ and its share in total world merchandise export is 0.64. Total commercial service export counts 59.218 million US\$ and its share in total world service export is 1.58. On the other hand, merchandise import of Denmark is 84 878 million US\$ and its share in world merchandise import is 0.55. Commercial service imports counts 50.516 million US\$ and its share in world service import is 1.44. In contrast, merchandise export of Iceland is 4.604 million US\$ and its share in total world merchandise export is 0.03. Total commercial service export counts 2.437 million US\$ and its share in total world service export is 0.07. On the other hand, merchandise import of Iceland is 3 920 million US\$ and its share in world merchandise import is 0.03. Commercial service imports counts 2.160 million US\$ and its share in world service import is 0.06 (WTO: 2012).

All these data makes sense when we look upon German's data. Merchandise export of Germany is 1 258 924 million US\$ and its share in total world merchandise export is 8.25. Total commercial service export counts 233 112 million US\$ and its share in total world service export is 6.22. On the other hand, merchandise import of Germany is 1 054 814 million US\$ and its share in world merchandise import is 6.82. Commercial service imports counts 262 424 million US\$ and its share in world service import is 7.49. (WTO-G:2012)

For this reason cooperation with other countries and institutions are really important for them. The average imports and exports of Nordic countries account to more than one fourth of GDP in Nordic countries. Since 1995, Sweden, Norway, Denmark and Finland have has trade surplus in their trade of balance (see appendix 1). Thus, any decline in global economy influenced them severely (Nordic Statistical Yearbook: 2011:108),

Intra-trade of Nordic countries is quite considerable. One fifth of their total export and import is made within the region. Although this portion refers to the 20 percent of their total export and import, it makes sense when we consider whole Nordic region population only counts 25 million people. For example this rate is more than their trade volume with France and Germany whose population equals to 146 million. In 2010, 23 percent of total export of Denmark and Sweden, 12 percent of Finnish export, 12 percent of Norwegian export; and 8.5 percent of Iceland export floated within Nordic region (see appendix 2).

Despite of all these data, in appendix 3, it can be seen that 52 percent of all Nordic export goes to the EU (both EU-15 and new EU-12-excluding Sweden, Denmark and Finland) although only 19 percent of their exports flows within the Nordic region. In addition, 49 percent of total Nordic countries import comes from EU even though 22 percent of their

import flows within the region. For this reason Nordic countries are highly dependent on EU trade although trade volume within the region is quite significant compared to their population and Germany is really dominant in Nordic import (see appendix 3).

4.4.2.4.2 Foreign Direct Investments (FDI) Flows in Nordic Region

One of the basic aims of the Nordic countries is to increase economical integration in the Nordic region and also promote their economic relations with the Baltic Sea region, EU and also on an international level (Nordic Statistical Yearbook: 99).

In the sense of Nordic countries enjoying foreign direct investment (FDI) flows both inward and outward especially in the last ten years. Sweden is the leading country in this sense. However, Iceland's FDI outward investment has increased from 16 percent to 135 percent of GDP from 2003 to 2007. FDI inward investment in Iceland also showed an increasing tendency till 2008, yet both these trends changed in 2008 after the financial crisis (see appendix 4).

According to the OECD Factbook (2012:111-118), FDI net inflows to Sweden in 2010 were 6.026 billion US\$ and net outflow was around 31.841 billion US\$. Sweden was followed by Norway whose FDI net inflow is 11.856 billion US\$ and net outflow is 12.194 billion US\$. Although FDI net inflow reduced to 340 million US\$ for Denmark and net outflow was about 3.150 billion US\$. In addition when FDI flow relations are examined we see that Ireland, Belgium, the Netherlands and Denmark are the net investors in Sweden; and the U.S., Norway, the Netherlands are the first countries to take Swedish investments respectively. Moreover, France, Sweden, Germany and Norway are the main countries where FDI flows in Denmark; and Danish investors prefer the U.K., Germany, the U.S. and Sweden. For Norway, Belgium, the U.K., the Netherlands and Canada are the pioneer countries in respect of inflow of FDI; and Russia, the U.S. and Africa are the countries where Norwegian FDI flows in. The case for Iceland is that in respect of inflow Luxembourg, Sweden, the Netherlands and Norway are the major four countries respectively. Faroe Islands, Malta, Lithuania are three main countries where Icelandic investors prefer to invest. For Finland, FDI inflows are mainly from Germany, Luxembourg, Sweden and the Netherlands, on the other hand Belgium, Sweden, China and the Netherlands are the countries preferred by Finnish investors (OECD:2012).

In short when we look at economic activities of Nordic countries, as Graeger (2011:25) since Nordic countries are small in terms of geographical area, number of citizens and GDP, Nordic countries are highly dependent on multilateral organizations especially formal ones like

EU and NATO. Since, according to Graeger (2011) small states have a smaller say in global affairs. For this reason formal institutions like EU and NATO are essential to Nordic influence. This comment of Graeger might be proved when we look at EU and EFTA relations, FDI in-outflows and intra-extra trade relations of Nordic Countries with other EU members. It is clear that vast majority of FDI flows are highly concentrated among Nordic countries and other EU members and since Nordic countries highly depended on export due to their small scale economies, European market constitutes significant place in terms of import and export of Nordic countries.

5. CONCLUSION

In spite of fuzzy definitions of region, regionalism and regionalization, especially after the end of Cold War, regionalism started to be one of the dominating theories for the explanation of new world order. Therefore, there has been increasing focus on regionalism by IR, IPE, comparative politics and many other theorists. When history of regionalism examined, there has been distinction between the 'old' and the 'new' one. The old one refers to the regional arrangements formed during Cold War era and the will or the permission of two super powers -USA and Soviet Union- played crucial role in the establishment of regional cooperation. In order to support this theory, SEATO was given as an example briefly. What new regionalism argues that after the end of Cold War, the will of member states as a dynamism behind the establishment of regional formations plays crucial role since USA lost its interest in regional formations after Soviet Union dissolved with the end of Cold War. However, in the establishment of Nordic Council in 1952, two super powers did not played any role. The idea of Nordic cooperation in different fields was always there with them since 14th century. Nordic countries have attempted to establish common market, common currency and defense union in economic and security fields since 19th century. However due to historical conjecture -like Napoleonic Wars, WWI and WWII- they could not realize these attempts. Although in 1952 when Nordic countries acted decisively and establish Nordic Council, they found opportunity to develop unified relations on many fields. When we have looked these historical process of the establishment of Nordic council, in contrast to what old regionalists argue, Nordic council establish by the will of its own will and members. Therefore, it might be claimed that Nordic council establishment was from 'below' and bottom-up even it was established during Cold War era. In the light of this information, my other part of research question that motivates me doing this research is that even though Nordic Council constitutes distinctive example being the bottom-up formed regional arrangement during Cold War by the will of its members, it could not developed stronger economic and security cooperation. Therefore, my other motivation to this thesis is to learn why Nordic Council cooperation on security and economy remained weaker. Throughout my literature review I observed that Nordic Council members' relation with third parties along with historical conjecture- Cold War structure- made it harder for Nordic members to achieve or pursue stronger cooperation on economic and security fields.

Nordic countries were in desire of establishing Nordic defense union since 1940 but due to WWII, they had to cancel it. After the establishment of Nordic council once again members of Nordic council stated their desire on defense union. Yet, because of Cold War, Finland was in fear of Soviet Union intervention and Sweden did not want to disturb its neutrality policy. Therefore, once again Nordic members canceled their plan on defense union. In addition to that due to the fear of Cold War uncertainty, Norway, Denmark and Iceland claimed to be part of bigger security arrangements to be under more secure umbrella to be protected from that uncertainty. For this reason they chose to be part of NATO. Finland –due to Soviet bloc factor- and Sweden – due to neutrality policy- could not take part in NATO during Cold War era. After the end of Cold War, establishment of ESDP by EU created as an alternative for non-NATO members. Sweden and Finland supported ESDP and Denmark, although it was the first member of EU did not show any enthusiasm due to its opt-outs. As Rieker (2004) argues that security relations of Nordic countries with EU, especially with the establishment of ESDP, indicates increasing Europeanization tendency of Nordic countries that might be the reason in front of having weaker cooperation on security area. With the establishment of ESDP, any substantial step toward the establishment of Nordic defense union was blocked once again. Nordic council managed to establish cooperation on security through NORDEFECO in 2009.

Nordic cooperation on economy shows similar backgrounds with security one. The idea of economic cooperation to establish monetary union and common Scandinavian market based on 19th century. With the unifications and dissolutions till end of WWII, Nordic countries could not establish any sufficient cooperation on economy. Only in 1968 Denmark gave proposal for NORDEK plan- Scandinavian common market – but it also failed in 1970s. The reason why Nordic countries were reluctant over any economic union is that the establishment of Nordic Council was coincidence with the time of EEC and EFTA establishments. As Hilson (2008) mentions about the fragile economic structure of small scale economies, like Nordic countries, might have paved the way for captured by the bigger economic regional arrangements. Both EU and EFTA served as a bigger market, so bigger economic scale for Nordic countries. Historical background with strong relation of Nordic countries with EU and EFTA and also place and importance of EU countries in intra and extra trade relations of Nordic countries support this argument to reach conclusion. From the establishment of EEC to EU and EFTA, Nordic members either chose to be part of these organizations or have close relations with them. Sweden, Finland and Denmark have been part of EU and Norway has

status of 'associated member' and utilize from common market of EU. In addition to that when we look at import and export of Nordic countries that are highly depended on export due to their small scale of economies, EU members apart from Nordic countries constitute substantial portion in their economies in terms of import and export. In addition to that FDI inflows and outflows of Nordic members mostly generates from other EU members. These indicators might enough to conclude for us that historical conjecture, being relatively small region that it is often bound to be subject to other ongoing dynamics and historical conjectures, having small scale economies with small population and presence of EU and EFTA in economic field and ESDP along with NATO prevented stronger Nordic Cooperation on security and economic fields.

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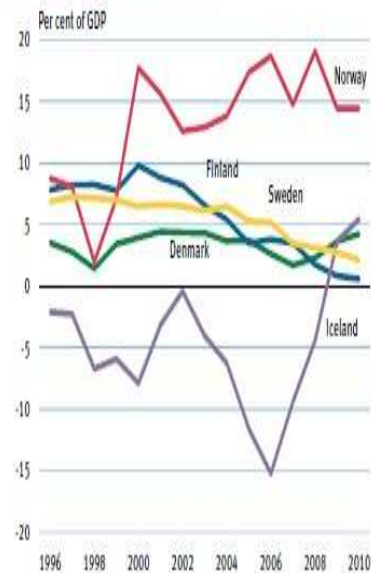
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7. APPENDIX

Appendix 1

Trade balance of goods as per cent of GDP *Figure 13.4*
Handelsbalans för varor i procent av BNP



FA 04/9 and Nooc01
Source: National statistical institutes and Eurostat.

Trade balance of goods *Table 13.1*
Handelsbalans för varor

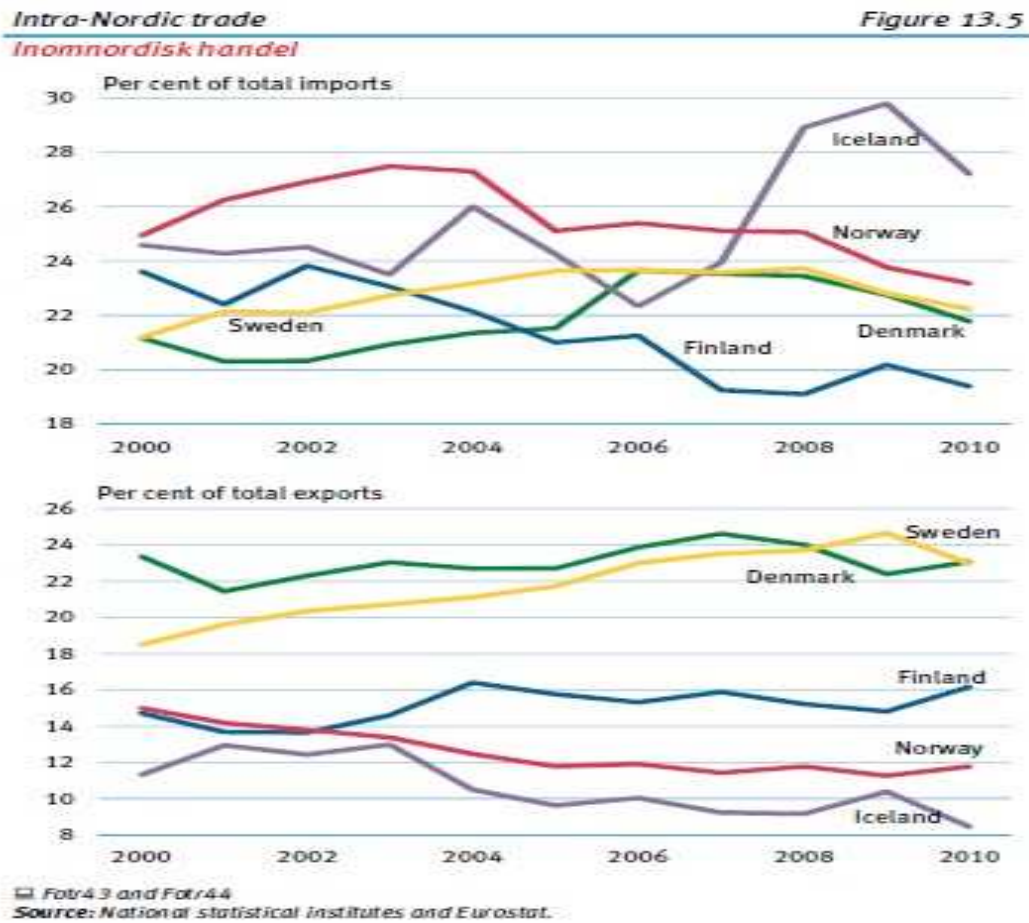
	Denmark	Faroe Islands	Greenland	Finland	Iceland	Norway	Sweden	
Million euro								Millioner euro
1990								1990
Exports	28 973	327	355	20 832	1 247	26 560	45 192	Export
Imports	26 023	350	265	21 181	1 301	21 341	43 067	Import
Net exports	2 951	-23	90	-349	-4	5 220	2 125	Nettoexport
2010								2010
Exports	73 672	623	288	52 911	3 466	98 990	119 437	Export
Imports	64 096	586	609	51 893	2 948	58 341	112 207	Import
Net exports	9 577	37	-321	1 018	518	40 649	7 230	Nettoexport

FA 04/9
Source: National statistical institutes and Eurostat.



Sources : Nordic Statistical Yearbook, 2011, vol. 49, Nordic Council of Ministers, <http://www.norden.org/en/publications/publikationer/2011-001> ,(viewed on 2.05.2012)

Appendix 2



Sources: Nordic Statistical Yearbook, 2011, vol. 49, Nordic Council of Ministers, <http://www.norden.org/en/publications/publikationer/2011-001> ,(viewed on 2.05.2012)

Appendix 3

Nordic exports to and imports from selected countries, 2010

Nordisk export till och import från vissa länder och regioner

	Denmark	Faroe Islands	Greenland	Finland	Iceland	Norway	Sweden	
Per cent								Procent
Exports to:								Export till:
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	Totalt
Nordic countries	23.1	19.5	94.9	16.2	8.5	11.8	23.0	Norden
EU-15 (excl. DK, FI, SE)	44.2	48.1	4.9	34.0	71.2	66.3	38.4	EU-15 (exkl. DK, FI, SE)
12 new EU-countries	5.7	3.7	0.0	7.4	3.0	3.2	5.8	De 12 nya EU-länderna
Russia	1.7	3.3	0.0	8.9	2.1	0.9	1.8	Ryssland
Other Europe	2.2	0.6	0.0	3.7	2.9	1.3	2.7	Övriga Europa
USA and Canada	7.4	8.6	0.0	8.2	5.0	6.6	8.3	USA och Kanada
Other America	2.4	4.1	0.0	2.5	0.4	1.2	2.5	Övriga Amerika
Japan	1.9	1.2	0.2	1.7	2.6	1.2	1.3	Japan
DAEs	3.2	0.8	0.0	3.6	1.1	3.3	2.8	DAE-länderna
China	2.4	1.4	0.0	5.2	0.6	1.7	3.1	Kina
India	0.5	0.0	0.0	1.2	0.1	0.3	1.2	Indien
Rest of the world	5.4	8.4	0.0	7.6	2.6	2.2	9.2	Övriga världen
Imports from:								Import från:
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	Totalt
Nordic countries	21.8	62.5	86.4	19.4	27.2	23.2	22.2	Norden
EU-15 (excl. DK, FI, SE)	48.4	17.3	4.8	39.5	29.9	33.7	45.5	EU-15 (exkl. DK, FI, SE)
12 new EU-countries	7.1	5.6	0.8	7.2	4.4	6.9	8.0	De 12 nya EU-länderna
Russia	1.1	0.4	0.0	17.6	0.6	2.6	4.9	Ryssland
Other Europe	2.2	0.7	0.4	1.5	2.0	2.2	1.8	Övriga Europa
USA and Canada	3.4	1.8	3.7	2.7	9.6	8.7	3.5	USA och Kanada
Other America	2.0	2.2	0.2	2.0	13.0	2.7	1.5	Övriga Amerika
Japan	0.4	0.9	0.7	0.8	2.3	2.2	1.7	Japan
DAEs	3.3	1.1	0.5	2.1	1.8	5.7	3.3	DAE-länderna
China	7.2	4.4	1.9	4.4	6.0	8.5	5.0	Kina
India	0.8	0.4	0.1	0.5	1.1	0.5	0.5	Indien
Rest of the world	2.4	1.7	0.5	2.4	2.0	3.3	2.2	Övriga världen

Fot 49

Source: National statistical institutes and Eurostat.

Note: DAEs (Dynamic Asian Economies): Hong Kong, Malaysia, Singapore, South Korea, Taiwan and Thailand.

Note: DAE-länderna (Dynamiska asiatiska ekonomier): Hongkong, Malaysia, Singapore, Sydkorea, Taiwan och Thailand.

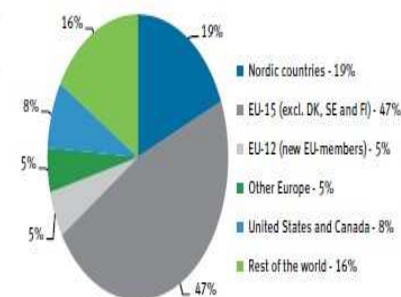
Table 13.3

Nordic exports and imports, 2010

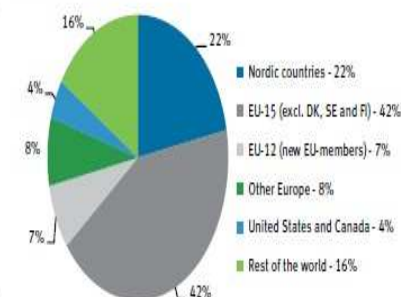
Figure 13.6

Nordisk export och import

Exports, per cent of total



Imports, per cent of total



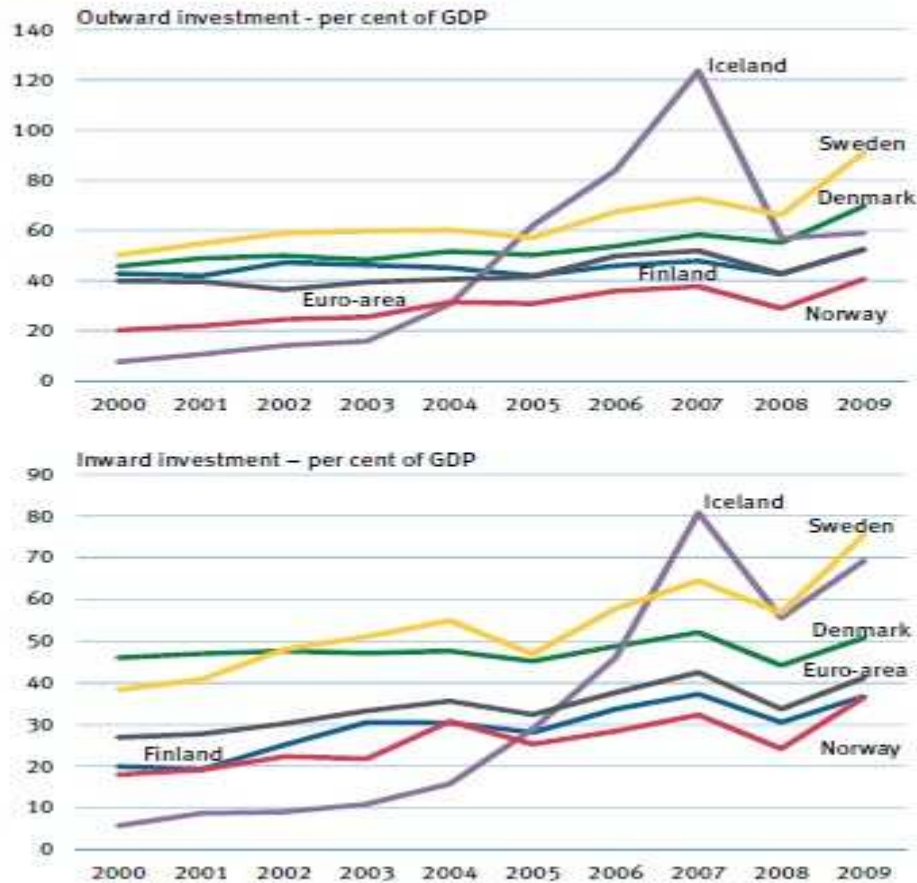
Fot 49

Source: National statistical institutes and Eurostat.

Sources: Nordic Statistical Yearbook, 2011, vol. 49, Nordic Council of Ministers, <http://www.norden.org/en/publications/publikationer/2011-001>, (viewed on 2.05.2012)

Appendix 4

Foreign direct investment – stock Figure 12.8
 Utländska direktinvesteringar – bestånd



Fodi01
 Source: UNCTAD.
 Note: Finland: includes Åland. Not: Finland: inkluderar Åland.

Sources: Nordic Statistical Yearbook, 2011, vol. 49, Nordic Council of Ministers, <http://www.norden.org/en/publications/publikationer/2011-001> ,(viewed on 2.05.2012)